

# EXHIBIT K



FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US.  
FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY.  
SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

# AllianzGI US Structured Alpha Presentation to SDNY US Attorney

*March 1, 2022*

SULLIVAN & CROMWELL LLP

**I**

**A Guilty Plea Is A Death Penalty For A Registered Investment Adviser**

**II**

**SDNY Should Not Impose A Corporate Death Penalty On AGI US**

**III**

**SDNY Can Satisfy Its Prosecutorial Objectives With A DPA, Significant Fine And Monitor**

**IV**

**A DPA Is The Right Path Forward**

I

## **A Guilty Plea Is A Death Penalty For A Registered Investment Adviser**

- 1. AGI US Overview**
- 2. Severe Collateral Consequences Of A Guilty Plea Unique To A Registered Investment Adviser**
- 3. AGI US Has Explored All Options To Avoid Those Severe Collateral Consequences**
- 4. SDNY Has Sought Only One Guilty Plea Of An Investment Adviser – In More Egregious Circumstances – That Did Not Advise Mutual Funds**
- 5. The Precedent Of Setting A Strict Liability Standard For Investment Advisers**

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## Allianz Group

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- Provides insurance and investment products to more than **100 million** customers
- **More than 1,000** subsidiaries in **70+** countries
  - Includes AGI US, PIMCO and Allianz Life of America
- **~150,000** employees



<https://www.allianz.com/en/about-us/who-we-are/company-structure-holdings.html>;  
[https://www.allianz.com/content/dam/onemarketing/azcom/Allianz\\_com/about-us/hr-fact-book/HRFactbook\\_E\\_210325.pdf](https://www.allianz.com/content/dam/onemarketing/azcom/Allianz_com/about-us/hr-fact-book/HRFactbook_E_210325.pdf).

## AGI US And Its Direct Affiliates

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### 348 employees in 4 US offices

- **186 - AGI US**
- **132 - AGI US Holdings LLC** - perform certain control functions for AGI US
- **18 - AGI Distributors** - distribute AGI US products
- **12 - Allianz Capital Partners** - rely on AGI US Holdings to provide corporate services



# AGI US's Current Offerings Are Traditional, Lower Risk Strategies

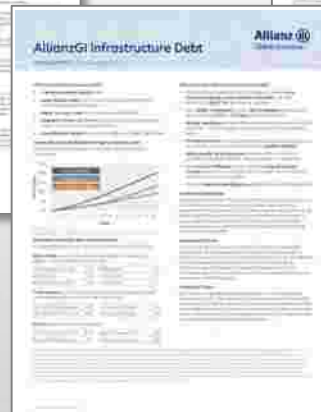
## Multi-Asset Investment



## US Income & Growth



## Fixed Income



## Private Markets

## Equities



# AGI US Currently Manages \$120 Billion In Third-Party Assets

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**\$42 B**



**\$42 billion managed and distributed in the U.S.**

**\$78 B**



**\$78 billion managed in the U.S. but distributed in Asia and Europe**

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## AGI US Is A Registered Investment Adviser

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Allianz Global Investors U.S. LLC is registered with the **U.S. Securities and Exchange Commission as an investment adviser** and is also registered with the CFTC and NFA as a commodity trading advisor and commodity pool operator.

# Investment Advisers Convicted Of Crimes Cannot Advise Mutual Funds And Closed-End Funds

Under Section 9(a) of the 1940 Act, a **criminal conviction automatically disqualifies** an investment adviser for **ten years** from acting as:

- i. an investment adviser to any mutual fund or closed-end fund; or
- ii. a principal underwriter for any mutual fund or closed-end fund



# Investment Advisers Must Be Qualified Professional Asset Managers To Advise ERISA Plans

Under ERISA, a guilty plea by an investment adviser would result in the automatic loss of its QPAM status and disqualify it from advising ERISA plans.



## PTE 84-14

### Availability of QPAM exemption conditioned on:

“(g) **Neither the QPAM nor any affiliate thereof** (as defined in section VI(d)), nor any owner, direct or indirect, of a 5 percent or more interest in the QPAM is a person **who within the 10 years immediately preceding** the transaction **has been either convicted** or released from imprisonment, whichever is later, **as a result of: Any felony** involving abuse or misuse of such person’s employee benefit plan position or employment, or position or employment with a labor organization; any felony **arising out of the conduct of the business of a** broker, dealer, **investment adviser ...”**

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# A Guilty Plea Will Disqualify AGI US Under Section 9(a) Of The Investment Company Act Of 1940

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SEC Investment Management Division  
has told AGI US that it **will not receive  
a 9(c) waiver** if it pleads guilty

As a result of a guilty plea, AGI US would be disqualified from managing \$111 billion of its \$120 billion in third-party assets under management.

# A Guilty Plea Will Disqualify AGI US From Relying On The QPAM Exemption To Manage ERISA Funds



**ERISA**

The Department of Labor has advised AGI US that it **will not grant AGI US a QPAM exemption** if it pleads guilty

As a result of a guilty plea, AGI US would be disqualified under ERISA from managing approximately \$2 billion in third-party assets.



# AGI US Explored Multiple Scenarios, But None Avoided The Corporate Death Penalty Of A Guilty Plea

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- 1 Guilty Plea By Another Allianz Entity
- 2 Guilty Plea By A Structured Alpha Fund
- 3 Guilty Plea By NewCo
- 4 Transfer Of AGI US's Assets To Affiliate
- 5 Sale Of AGI US's Assets To Third-Party

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# SDNY Practice Has Long Been To Resolve Cases Involving Investment Advisers Without Entity-Level Charge

	SEC Individual Charges	SEC Entity-Level Fraud Charges	SDNY Individual Charges	SDNY Entity-Level Charge
FF Fund Management				
International Investment Group				
Premium Point Investments				
Deerfield Management Company				
Sentinel Growth Fund Management				
Morgan Stanley Smith Barney				
Weston Capital Asset Management				
Visium Asset Management				
Artis Capital Management				

## SDNY Has Charged Only One Investment Adviser – SAC – Which, Unlike AGI US, Did Not Advise Retail Mutual Funds

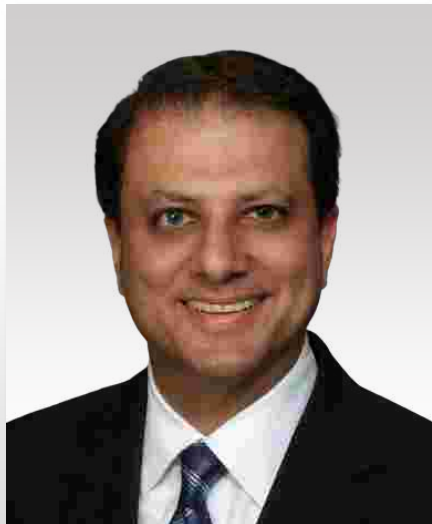
### S|A|C Capital Advisors, LLC

- “[A] fund that was **riddled with criminal conduct** . . . this Office has successfully **convicted eight SAC employees** of insider trading.”
- “[I]nsider trading offenses . . . **made possible by institutional practices** that encouraged the widespread solicitation and use of illegal inside information.”
- “[T]he **SAC Owner** and SAC Companies **cultivated an environment that emphasized not discussing Inside Information** openly rather than not seeking or trading on it in the first place.”

“[W]hen so much criminal conduct takes place within one institution, it is appropriate to **impose criminal liability on the institution itself.**”

<https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-and-fbi-assistant-director-charge-announce-insider-trading-4>; Indictment, United States v. S.A.C. Cap. Advisors, L.P. et al., No. 1:13-cr-00541-LTS (S.D.N.Y. July 23, 2013).

# SAC “**Death Penalty**” Was An **Intended** Consequence Of The Guilty Plea



**Preet Bharara**

*Former US Attorney  
for the Southern  
District of New York*

Letter to Judge Swain & Judge Sullivan,  
November 4, 2013

“[SAC] also will be required to **terminate [its] investment advisory businesses** . . . . In short the **penalties**. . . are steep but fair, and are **commensurate** with the **breadth and duration** of the charged criminal conduct.”

[https://www.justice.gov/sites/default/files/usao-sdny/legacy/2015/03/25/U.S.%20v.%20SAC%20Capital%20Advisors%20LLP%2C%20et%20al.%20Cover%20Ltr%2C%20Plea%20Agt%2C%20and%20Stip\\_1.pdf](https://www.justice.gov/sites/default/files/usao-sdny/legacy/2015/03/25/U.S.%20v.%20SAC%20Capital%20Advisors%20LLP%2C%20et%20al.%20Cover%20Ltr%2C%20Plea%20Agt%2C%20and%20Stip_1.pdf).











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5. **The Precedent Of Setting A Strict Liability Standard For Investment Advisers**

# Requiring A Guilty Plea By AGI US Would Create A Strict Liability Precedent For Investment Advisers

Requiring an entity-level guilty plea for criminal conduct within an investment adviser could **shutter multi-trillion-dollar asset management businesses.**

Entity	AUM of Asset Management Business (Trillion)
 <b>BlackRock</b>	~\$8.6
 <b>Vanguard</b>	~\$7.2
 <b>Fidelity</b> INVESTMENTS	~\$3.7
 <b>STATE STREET</b>	~\$3.4
 <b>CAPITAL GROUP</b>	~\$2.3
 <b>JPMORGAN CHASE &amp; CO.</b>	~\$2.3
 <b>P I M C O</b>	~\$2.1
 <b>BNY MELLON</b>	~\$2.1
 <b>Amundi</b> ASSET MANAGEMENT	~\$2.1
 <b>Goldman Sachs</b>	~\$1.9

AUM figures as of Dec. 31, 2020 from Investment & Pensions Europe (June 2021) (reported in Euros).



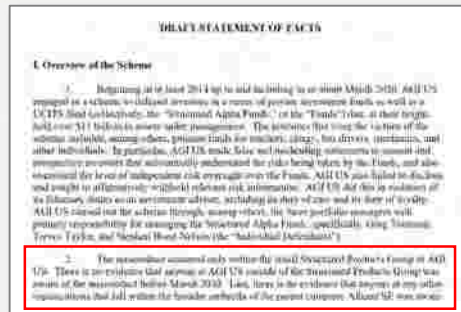


## **SDNY Should Not Impose A Corporate Death Penalty On AGI US**

- 1. The Misconduct Was Limited To Three PMs**
2. AGI US Has No History Of Misconduct
3. Allianz SE Has Agreed To Pay Over \$4 Billion To Compensate Investors
4. AGI US And Allianz SE Have Fully Cooperated With SDNY
5. A Guilty Plea Will Harm Innocent Investors, Employees And Affiliates
6. Weaknesses In AGI US's Controls Do Not Merit A Guilty Plea
7. SDNY Has Consistently Resolved Cases With Significant Control Failures Without Guilty Pleas



# The Misconduct Was Committed By Only A Small Group of Rogue Employees

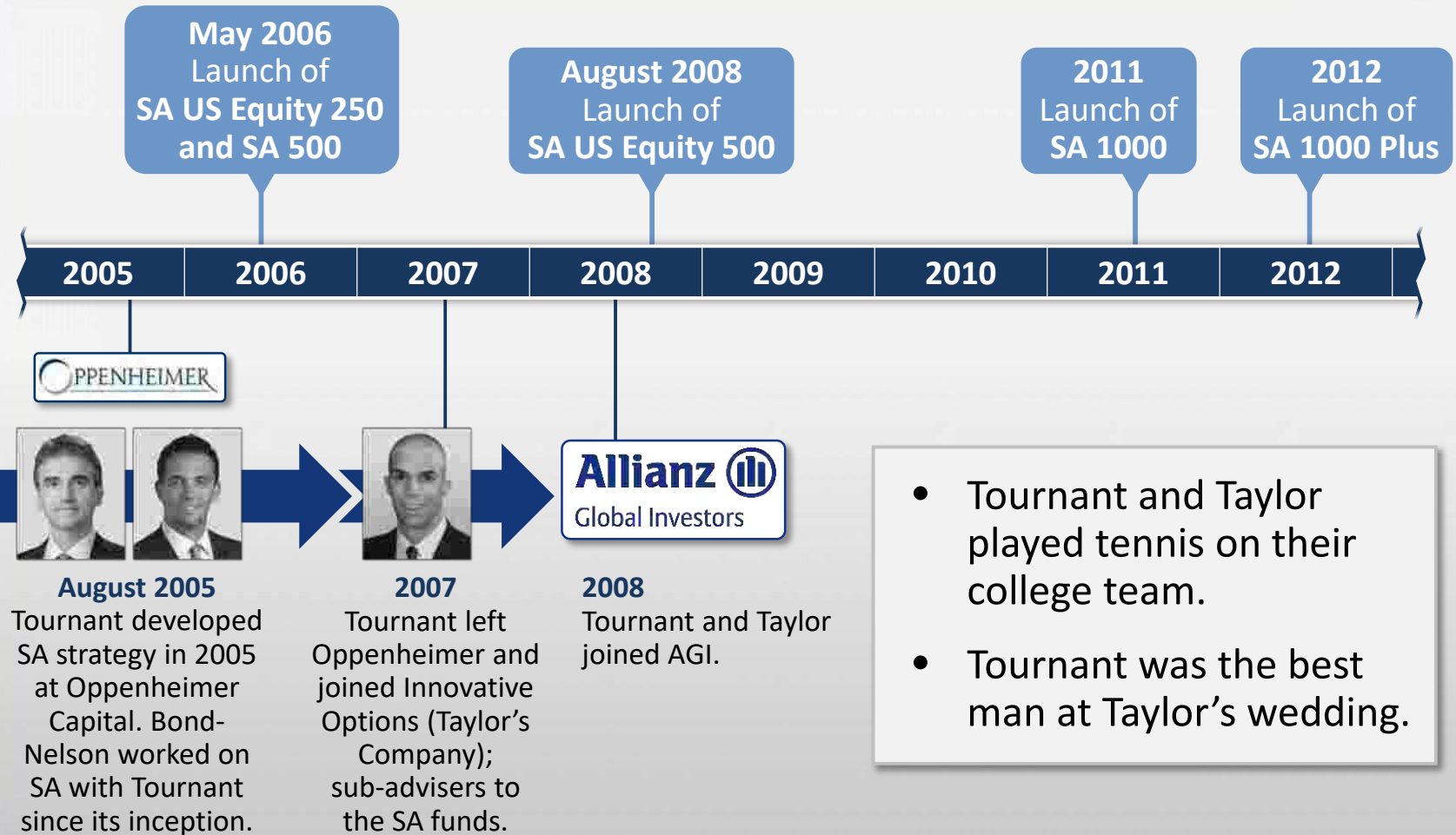


**Draft Statement Of Facts, February 24, 2022**

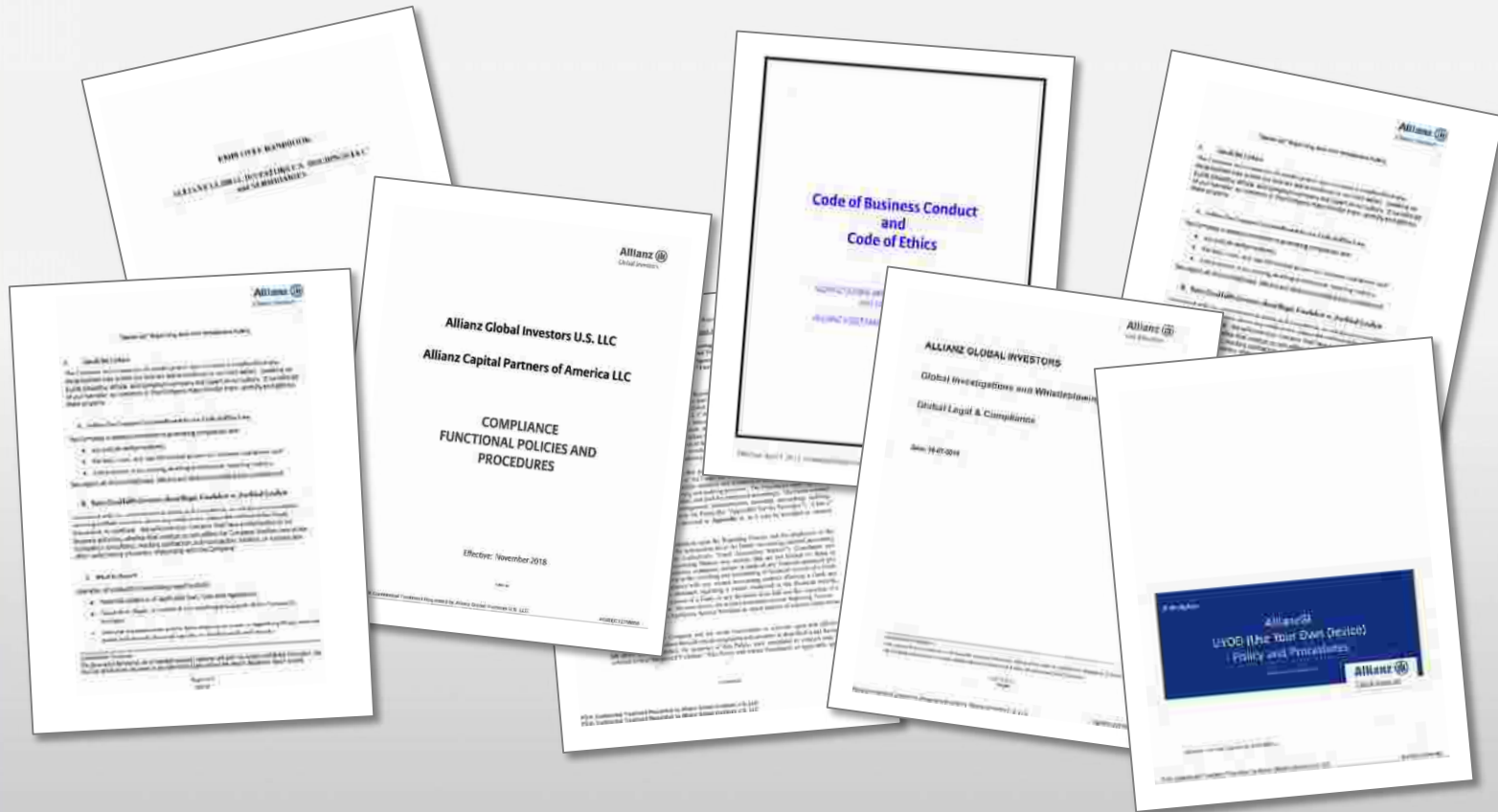
**“2. The misconduct occurred only within the small Structured Products Group at AGI US. . . .”**



# PMs Brought Structured Alpha To AGI US




# The PMs Violated Multiple AGI US Policies

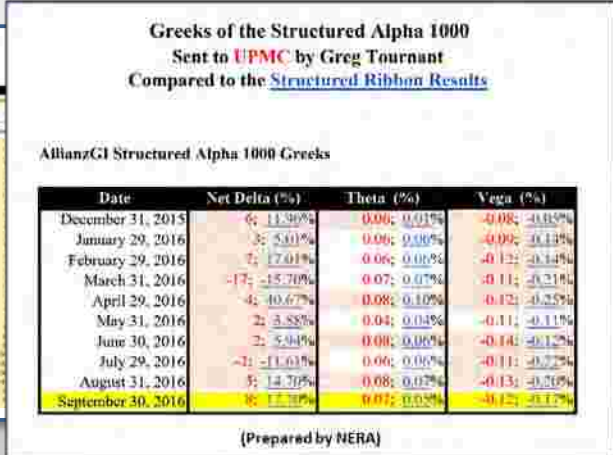


# The PMs Concealed Their Misconduct

- **The PMs manually manipulated** computer-generated data
- In many instances, determining whether reports were altered **required comparing reports sent to clients to Structured Products Ribbon and PM Access Database**



	\$ Payoff from Original File	\$ Payoff from Ribbon
	(\$468,700)	(\$2,343,502)
	(\$433,370)	(\$2,166,852)
	(\$398,040)	(\$1,990,202)
	(\$362,710)	(\$1,813,551)
	(\$327,380)	(\$1,636,901)
	(\$296,180)	(\$1,480,900)
	(\$275,755)	(\$1,378,775)
	(\$255,330)	(\$1,276,649)
	(\$234,905)	(\$1,174,523)
	(\$214,479)	(\$1,072,397)
	(\$194,054)	(\$970,271)
	(\$174,955)	(\$874,774)
	(\$154,578)	(\$772,890)
	(\$133,325)	(\$666,624)
	(\$113,678)	(\$568,389)
	(\$95,368)	(\$476,840)
	(\$78,255)	(\$391,275)
	(\$63,359)	(\$316,794)
	(\$52,499)	(\$262,496)
	(\$39,527)	(\$197,633)
	(\$26,554)	(\$132,769)
	(\$13,581)	(\$67,905)



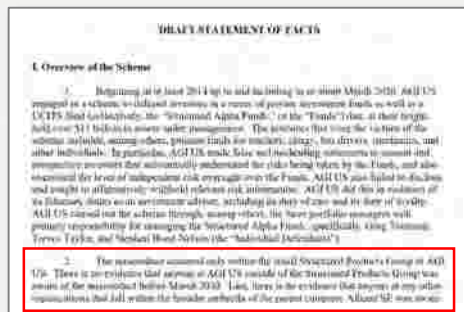
**Greeks of the Structured Alpha 1000  
Sent to UPMC by Greg Tournant  
Compared to the Structured Ribbon Results**

AllianzGI Structured Alpha 1000 Greeks

Date	Net Delta (%)	Theta (%)	Vega (%)
December 31, 2015	-6; 11.96%	0.09; 0.01%	-0.08; -0.05%
January 29, 2016	3; 5.01%	0.06; 0.06%	-0.09; -0.13%
February 29, 2016	7; 17.01%	0.06; 0.06%	-0.12; -0.14%
March 31, 2016	-17; -15.70%	0.07; 0.07%	-0.11; -0.21%
April 29, 2016	-4; -10.67%	0.08; 0.10%	-0.12; -0.25%
May 31, 2016	2; 3.88%	0.04; 0.04%	-0.11; -0.11%
June 30, 2016	2; 5.94%	0.08; 0.06%	-0.14; -0.12%
July 29, 2016	-7; -11.01%	0.06; 0.06%	-0.11; -0.22%
August 31, 2016	5; 14.70%	0.08; 0.07%	-0.13; -0.20%
September 30, 2016	16; 17.70%	0.07; 0.02%	-0.12; -0.12%

(Prepared by NERA)

# No One Outside Of The Structured Products Group Knew of The Misconduct



Draft Statement Of Facts, February 24, 2022

“... There is no evidence that anyone at AGI US outside of the Structured Products Group was aware of the misconduct before March 2020. . . .”



11 out of 291





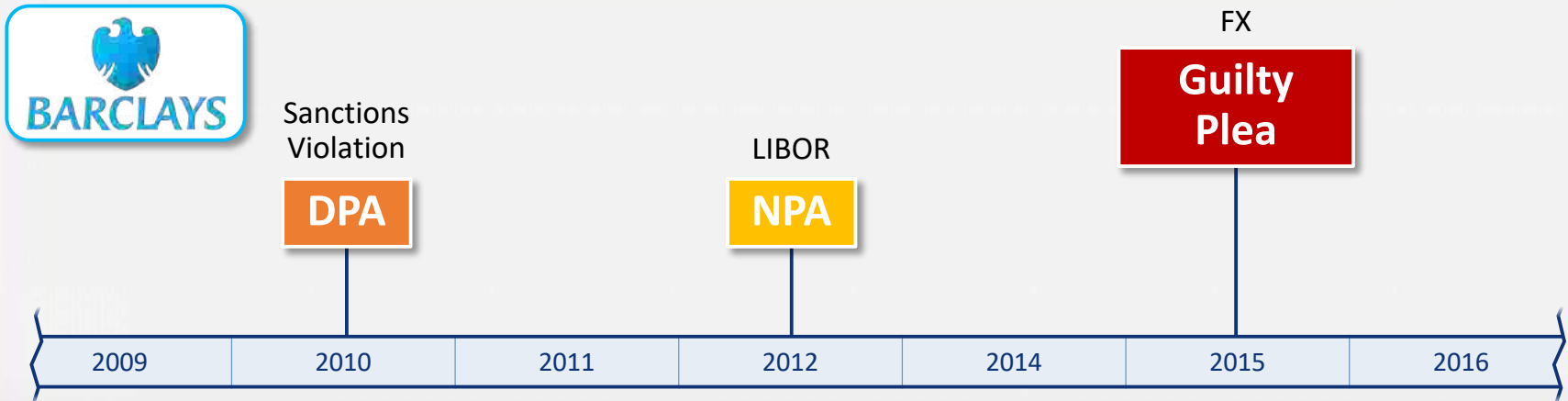
## **SDNY Should Not Impose A Corporate Death Penalty On AGI US**

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7. SDNY Has Consistently Resolved Cases With Significant Control Failures Without Guilty Pleas



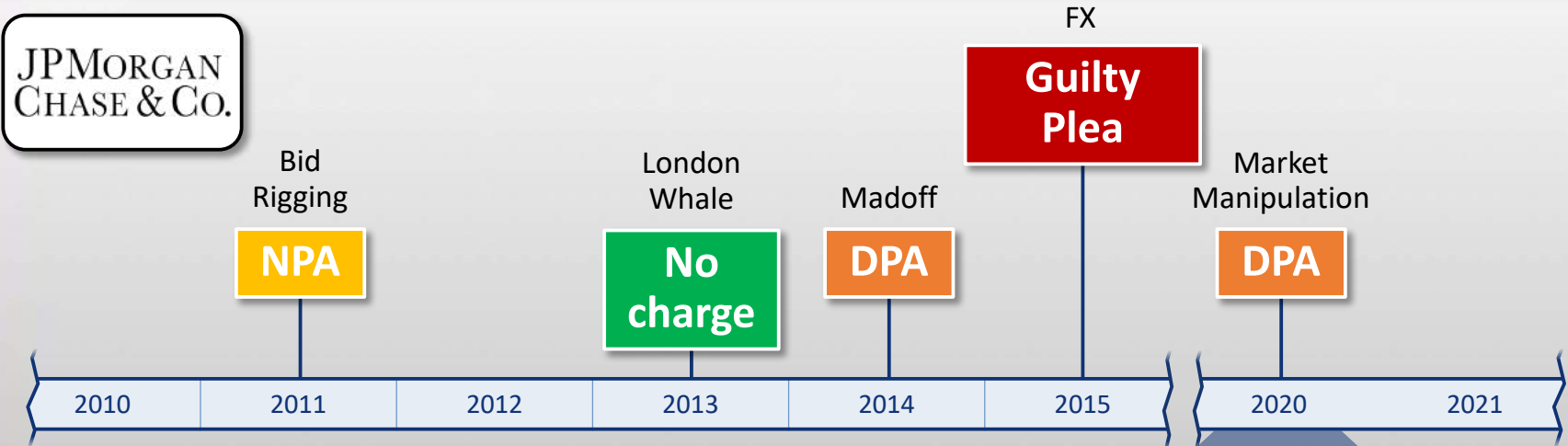
**AGI US has  
no history of misconduct**

## Corporate Guilty Pleas Typically Reserved for Recidivists





# Corporate Guilty Pleas Typically Reserved for Recidivists



Even after 2015 guilty plea, JPM allowed to enter **another DPA** in 2020



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# AGI US Does Not Have The Ability To Compensate Investors Or Pay Fines To DOJ Or SEC

## AGI US Ability To Pay Questionnaire

### Allianz Global Investors U.S. LLC ("AGI US") Inability-to-Pay Questionnaire

#### 1. Recent Cash Flow Projections

- Provide all cash flow projections, including supporting documentation for cash flow projections, created during the past year.

Attached as Annex 2-5 are four spreadsheets displaying AGI US's cash flow projections, created in February, June, September, and November 2021. Attached as Annex 1 is a spreadsheet displaying cash projections through November 2022.

#### 2. Operating Budgets and Projections of Future Profitability

- Provide all operating budgets and projections for the company, prepared within the past year, including all schedules of debt repayments and covenant calculations, for the current year and beyond.

Attached as Annex 6 is AGI US's operating budget for the 2022 fiscal year, including additional projections for the 2023 and 2024 fiscal years.

#### 3. Capital Budgets and Projections of Annual Capital Expenditures

- Provide all capital budgets and/or projections of annual capital expenditures for the company, prepared within the past year, for the current year and beyond.

AGI US does not have a budget or projections of annual capital expenditures, because these expenses would be so minor given that the nature of its business is investment advisory. AGI US did not make any capital expenditures in 2021 and has no current plans to make any capital expenditures in 2022.

#### 4. Proposed Changes in Financing or Capital Structure

- If the company is planning any proposed changes in financing, including debt restructuring, or any proposed changes in capital structure, provide details and all supporting documentation.

Because AGI US does not have the ability to fund settlements relating to the Structured Alpha litigations, AGI US anticipates that Allianz SE will cause Allianz of America, Inc. to cause a contribution to be made, indirectly, through its wholly-owned subsidiaries, to AGI US to fund the \$3.5 billion in civil settlements it has reached with certain plaintiffs and investors relating to the Structured Alpha matters. The settlement payments are due February 28, 2022.

AGI US is not aware of any current plans for capital to be extracted from AGI US, or for AGI US to take out any other loans, other than AGI US continues to have access to a Cash Pooling and Current Account Agreement between Allianz SE and AGI US ("Cash Pooling").

FOIA CONFIDENTIAL TREATMENT REQUESTED BY AGI US  
Subject to FRE 408 and State Law Analogues

## AGI US Audited Financial Statements 2020

Assets	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 89,832,346
Investment advisory and administrative fees receivable:	
Pooled funds	20,431,899
Private accounts	36,513,901
Receivables from affiliates	40,277,616
Executive deferred compensation held in trust	25,888,198
Other current assets	10,538,866
<b>Total current assets</b>	<b>223,482,826</b>
<b>Noncurrent assets:</b>	
Goodwill	19,281,995
Fixed assets, net	1,943,190
Investments in affiliated limited partnerships	5,679,551
Executive deferred compensation held in trust	74,261,125
Other noncurrent assets	21,988,720
<b>Total noncurrent assets</b>	<b>123,154,581</b>
<b>Total assets</b>	<b>\$ 346,637,407</b>
Liabilities and Capital	
<b>Current liabilities:</b>	
Accrued compensation	\$ 121,828,377
Payables to affiliates	46,644,223
Accounts payable and accrued expenses	14,703,452
Executive deferred compensation liability held in trust	25,888,199
Other current liabilities	5,959,537
<b>Total current liabilities</b>	<b>215,023,788</b>
<b>Noncurrent liabilities:</b>	

**Total capital \$ 17,139,299**

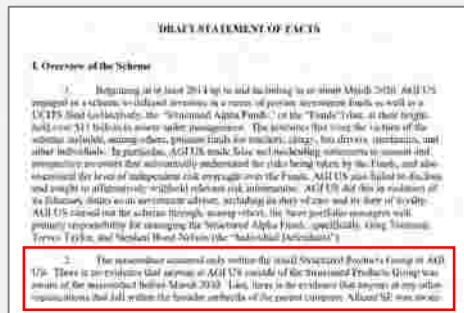
Members capital	17,139,299
<b>Total capital</b>	<b>17,139,299</b>
<b>Total liabilities and capital</b>	<b>\$ 346,637,407</b>

The accompanying notes are an integral part of these special purpose financial statements.

AGI US Ability to Pay Questionnaire 4889-4113-7929 v.7.2; AGI US LLC Financial Statements 2020.

FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

# No Other Allianz Entity Was Aware Of The PMs' Misconduct



## Draft Statement Of Facts, February 24, 2022

“... Last, there is no evidence that anyone at any other organizations that fall within the broader umbrella of the parent company Allianz SE was aware of or participated in the misconduct.”

# Allianz SE Has Already Paid \$3.5 Billion To Compensate Over 30 Of The Largest Investors

## Bartlit Beck Investors



- AARP
- AARP Employees' Pension Plan
- AARP Foundation
- AARP Insurance Plan



- BCBS Association Federal Employee Program
- BCBS Association Operating
- BCBS of Michigan Employees' Master Retirement Trust
- BCBS of Michigan Foundation
- National Retirement Trust (BCBS)



- The Bank of New York Mellon, as Trustee of the Raytheon Master Pension Trust

## Bernstein Litowitz Investors



- Arkansas Teacher Retirement System



- Carpenters Trusts of Western Washington



- Christian Brothers Employee Benefit Trust



- Christian Brothers Employee Retirement Plan



- Christian Brothers Services



- Employees' Retirement System of the City of Milwaukee



- General Pension Plan of the International Union of Operating Engineers



- Laborers' Pension Fund



- Ironworkers Mid-America Pension Plan



- Milwaukee Drivers Pension Trust Fund



- Multifund B.V.



- Nederlandia Investments B.V.



- Ohio Operating Engineers Health & Welfare Plan



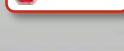
- Ohio Operating Engineers Pension Fund



- Pension Fund of Cement Masons Union Local No. 502



- Retirement Board of Bert Bell/Pete Rozelle NFL Player Retirement Plan



- San Diego City Employees' Retirement System



- The Ohio State University

## Kaplan Fox Investors

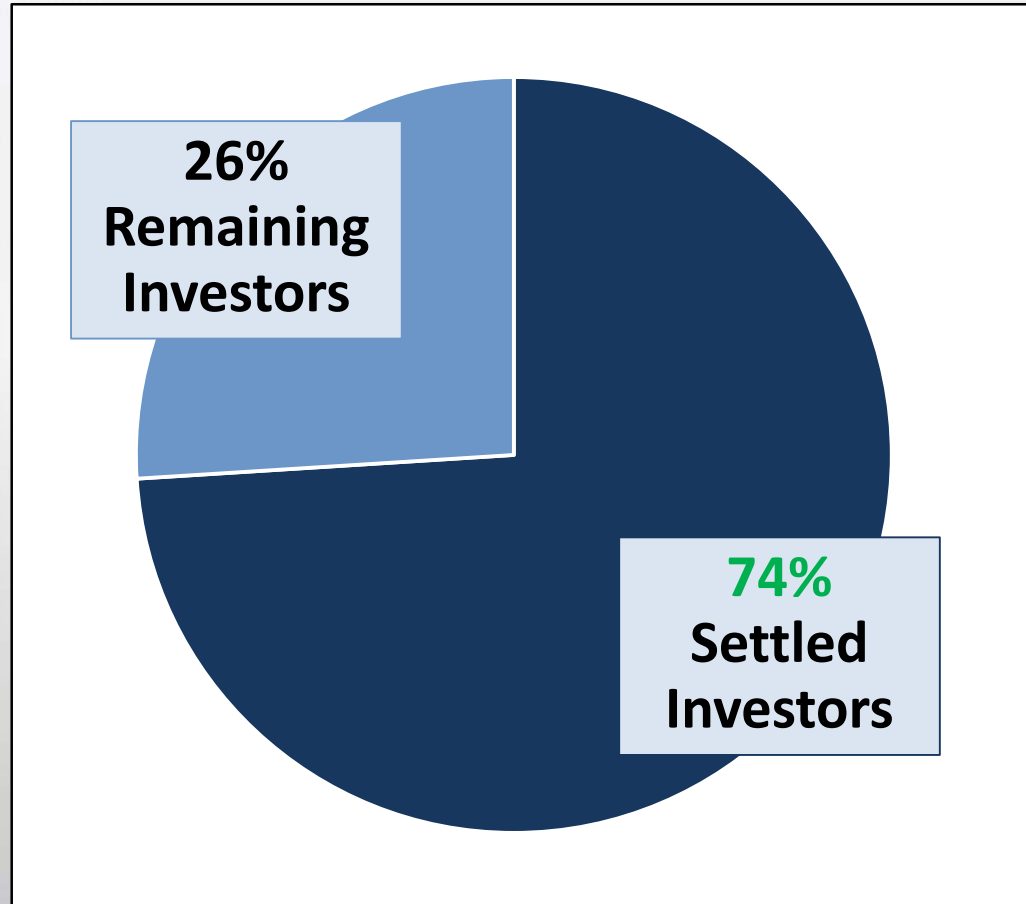


- Chicago Area I.B. of T. Pension Trust Fund
- Local 703 I.B of T., Grocery & Food Employees' Pension Trust



- Texas Treasury Safekeeping Trust Company
- Texas Treasury Safekeeping Trust Company f/b/o Texas Water Development Board

# Allianz SE Has Already Paid \$3.5 Billion To Compensate Over 30 Of The Largest Investors



Settlements reached represent **74%** of post-December 2019 losses for all investors.



## Allianz SE Has Generously Compensated Investors



**Actual Settlement Payment**

**\$642.9 million**

**Lost Principal**

**\$10.7 million**

**Settlement represents 5,989% of lost principal**

## Allianz SE Has Generously Compensated Investors



**Actual Settlement Payment**

**\$1.49 billion**

**Lost Principal**

**\$655.4 million**

**Settlement represents 228% of lost principal**



## Allianz SE Has Generously Compensated Investors



**Actual Settlement Payment**

**\$123.4 million**

**Lost Principal**

**\$58.1 million**

**Settlement represents 212% of lost principal**

## Allianz SE Has Generously Compensated Investors



**Actual Settlement Payment**

**\$148 million**

**Lost Principal**

**\$83.8 million**

**Settlement represents 177% of lost principal**

## Allianz SE Has Generously Compensated Investors



**Ohio Operating  
Engineers Funds**

**Actual Settlement Payment**

**\$89.7 million**

**Lost Principal**

**\$58.7 million**

**Settlement represents 153% of lost principal**

# Allianz SE Currently Plans To Provide Funding For Compensation For Remaining Investors

**Allianz SE is engaged in negotiations with remaining investors**



Alaska Laborers-Employers Retirement Fund Trust



Georgetown Memorial Hospital



Georgia Stevedore Association - International Longshoremen's Association Pension and Welfare Funds



Halifax Regional Medical Center Employees' Pension Plan



I.B.E.W. Local 769 - Management Pension Plan



IBEW Local No. 38 Pension Fund Pension Plan



Kershaw Health, Inc. Employees' Pension Plan



Lehigh University



Manhattan & Bronx Surface Transit Operating Authority (MaBSTOA) Pension Plan



Marco Consulting Group Trust I



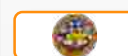
Metropolitan Transportation Authority (MTA) Retiree Welfare Benefits Plan



MTA Master Trust



Phoenix Health Care Management Services, Inc



San Diego County Construction Laborers Pension Fund



Southeast Georgia Health System, Inc.



The J. Paul Getty Trust



United Food and Commercial Workers Union and Employers Midwest Pension Fund



University Health Inc.



University Medical Associates of the Medical University of South Carolina



Vizient Southern States, Inc

**Allianz SE has begun mediation with class plaintiffs**

# Allianz SE Is Prepared To Pay Fines To DOJ And SEC Only With DPA

**Allianz**   
Global Investors

**Guilty plea will destroy AGI US with an enterprise value of \$2.5 - \$3 billion**

**Allianz**   
SE

Allianz SE can only pay amounts on behalf of AGI US **consistent with its duties** to its **shareholders and German corporate governance principles.**

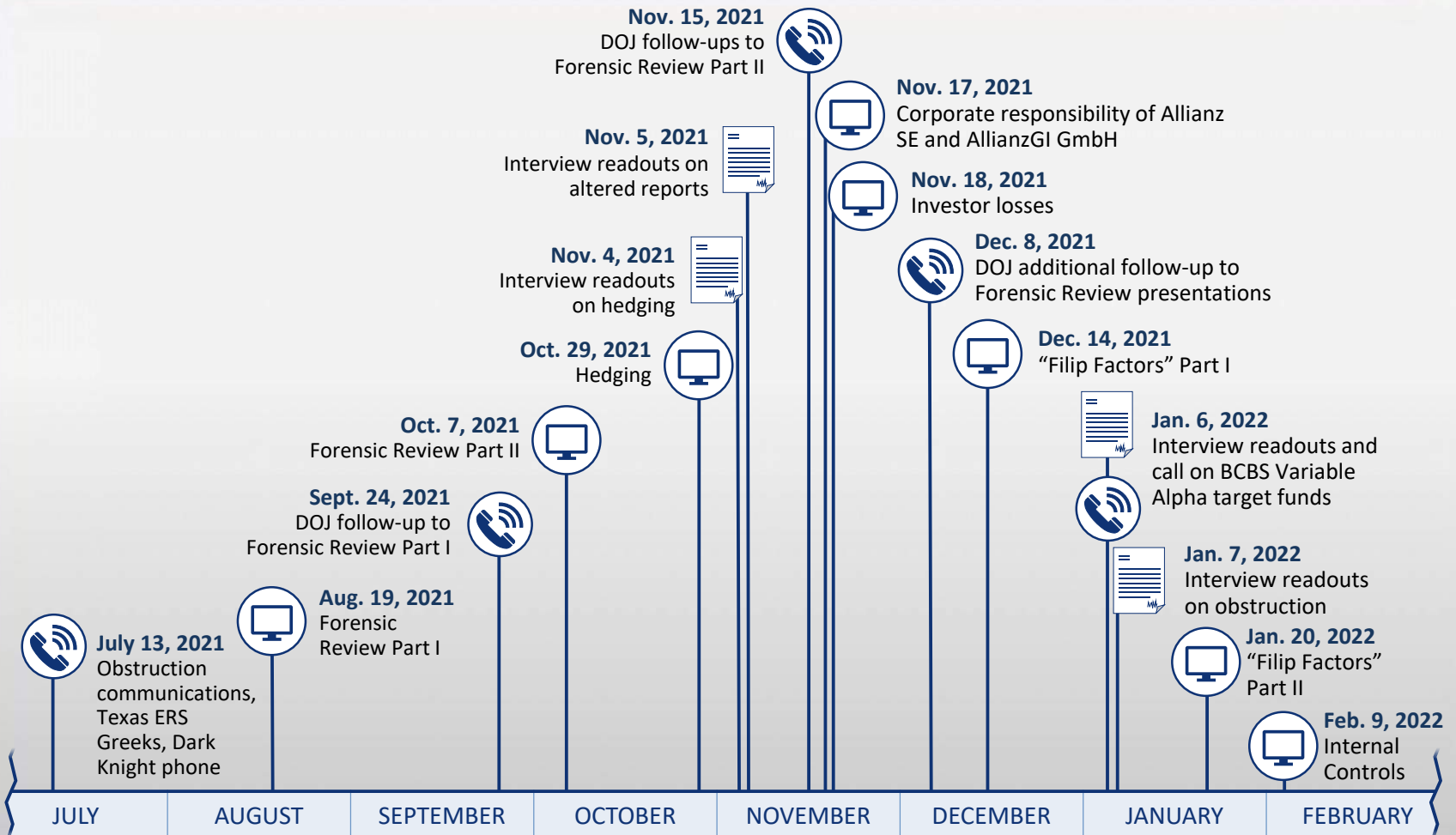
In the event of a guilty plea, Allianz SE may have to **place AGI US into bankruptcy.**



## **SDNY Should Not Impose A Corporate Death Penalty On AGI US**

1. The Misconduct Was Limited To Three PMs
2. AGI US Has No History Of Misconduct
3. Allianz SE Has Agreed To Pay Over \$4 Billion To Compensate Investors
4. **AGI US And Allianz SE Have Fully Cooperated With SDNY**
5. A Guilty Plea Will Harm Innocent Investors, Employees And Affiliates
6. Weaknesses In AGI US's Controls Do Not Merit A Guilty Plea
7. SDNY Has Consistently Resolved Cases With Significant Control Failures Without Guilty Pleas

# AGI US Provided Valuable Cooperation To SDNY



**Continuous and proactive cooperation over the last 8 months**



# AGI US Conducted Resource-Intensive Forensic Review Of Client Reporting Issues To Assist SDNY

S&C and NERA devoted **over 16,700 hours** to forensic review

Results of AGI US forensic review are reflected in Statement of Facts

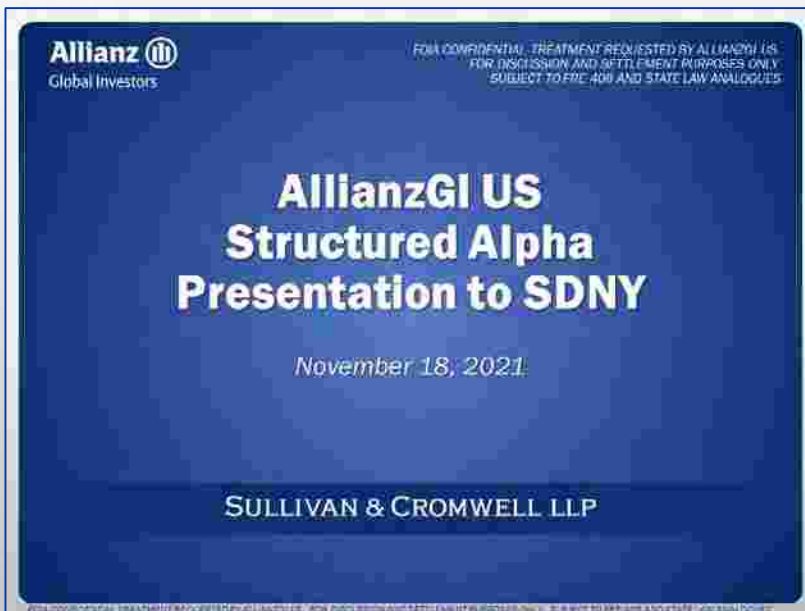


# Results Of AGI US Forensic Review Are Reflected In Statement Of Facts



**Draft Statement Of Facts**, February 24, 2022

“12(b). **Risk Reports:** . . . AGI US employees altered **over 75 risk reports** that went to **six investors** and **four consultants** . . . .”



**Investors in the Funds as of March 2020 That Received Altered Reports From AllianzGI (cont'd)**

Investor Name	Risk Reports	Greeks	Daily Returns	Attribution
U.S. Bank National Association as Directed Trustee for Employees Retirement Plan of Bore Corporation	0	0	0	0
UBS Switzerland AG / XX7272435	0	1 (2018)	0	0
United Food and Commercial Workers Union and Employers Midwest Pension Fund	0	0	0	0
United Way of Massachusetts Bay Inc.	0	0	0	0
University Health Inc.	0	0	0	0
University Medical Associates of the Medical University of South Carolina	0	0	0	0
UPMC Basic Retirement Plan Master Trust	0	41 (2016-19)	0	0
Vesco Corporation Employee Pension Plan	0	0	0	0
Vistra Energy Retirement Plan Master Trust	0	0	0	0
Violent Southern States, Inc.	0	0	0	0
<b>11 Investors with Altered Reports</b>	<b>77</b>	<b>68</b>	<b>6</b>	<b>1</b>


FOIA CONFIDENTIAL TREATMENT REQUESTED BY ALLIANZGI US. FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY. SUBJECT TO FRE 408 AND STATE LAW ANALOGUES

# Results Of AGI US Forensic Review Are Reflected In Statement Of Facts



**Draft Statement Of Facts**, February 24, 2022

“12(c). **Greeks:** . . . Dozens of altered Greeks were sent to approximately **nine investors** and **six consultants** that advised approximately **35 additional investors.**”

Allianz   
Global Investors

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## AllianzGI US Structured Alpha Presentation to SDNY

November 18, 2021

SULLIVAN & CROMWELL LLP

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UBS Switzerland AG / XX7272435	0	1 (2018)	0	0
United Food and Commercial Workers Union and Employers Midwest Pension Fund	0	0	0	0
United Way of Massachusetts Bay Inc.	0	0	0	0
University Health Inc.	0	0	0	0
University Medical Associates of the Medical University of South Carolina	0	0	0	0
UPMC Basic Retirement Plan Master Trust	0	41 (2016-19)	0	0
Vesco Corporation Employee Pension Plan	0	0	0	0
Vistra Energy Retirement Plan Master Trust	0	0	0	0
Violent Southern States, Inc.	0	0	0	0
<b>11 Investors with Altered Reports</b>	<b>77</b>	<b>68</b>	<b>0</b>	<b>1</b>

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“12(h). **Positions Data:** On at least one occasion, Tournant **manually altered holdings data that was sent to one investor**, including by changing short positions to make them look like long puts, i.e. tail risk hedges.”



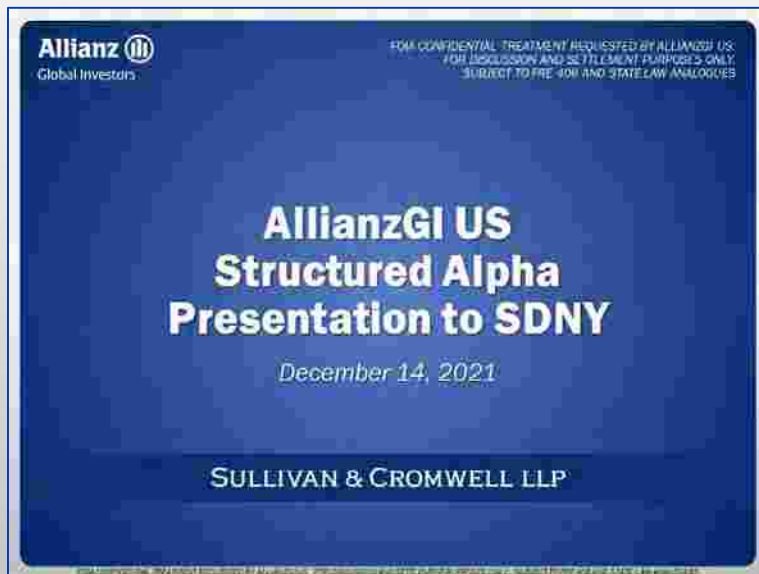


# Results Of AGI US Forensic Review Are Reflected In Statement Of Facts



**Draft Statement Of Facts**, February 24, 2022

“12(f). **Expected Value Sheets:** AGI US employees **changed expected value (‘EV’) sheets** that were shown to investors, so that the potential losses on certain positions appeared smaller . . . .”



**PMs' Misconduct Was Difficult To Detect:**  
**Expected Value Sheets**

- Tournant and Taylor **modified the EV Sheets to reduce the projected losses.**
- Experts conducted a forensic review of reports that were sent to investors, but EV Sheets were apparently only **projected on a screen during investor meetings.**

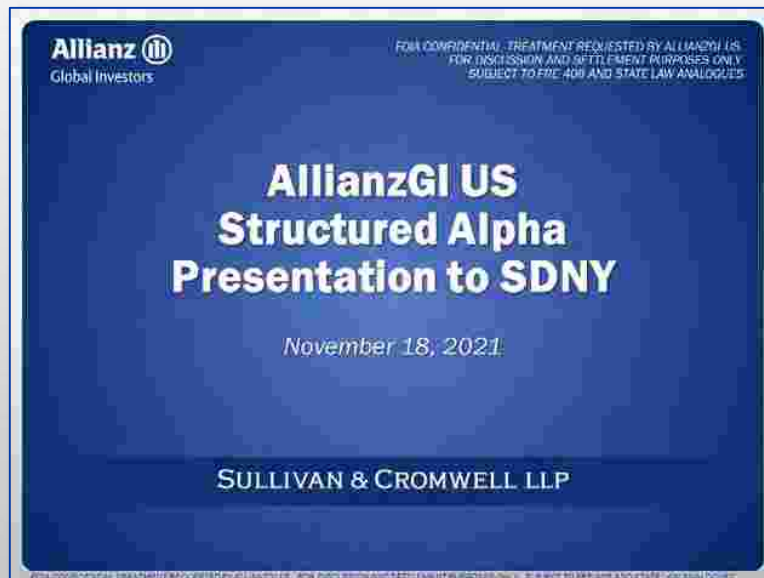
22

# Results Of AGI US Forensic Review Are Reflected In Statement Of Facts



**Draft Statement Of Facts, February 24, 2022**

“12(d). **Performance Data:** AGI US employees **altered daily performance data** that went to at least **three investors** by ‘smoothing’ the Funds’ day-to-day response to market downturns.”



**Investors in the Funds as of March 2020 That Received Altered Reports From AllianzGI (cont'd)**

Investor Name	Risk Reports	Greeks	Daily Returns	Contribution
Local 703 I.B.O.F.T. Grocery & Food Employees' Pension Trust	0	0	0	0
Local 874 Pension Fund	0	0	0	0
Local 888 Pension Fund	0	0	0	0
Local Union No. 124 I.B.E.W. Pension Trust Fund	0	0	0	0
Local Union No. 226 I.B.E.W. Open End Pension Trust	0	0	0	0
Manhattan & Bronx Surface Transit Operating Authority (MABSTOA) Pension Plan	0	0	0	0
Matco Consulting Group Trust I	0	0	0	0
Mellon Bank, N.A. As Trustee For The UPMC Basic Retirement Plan Master Trust	0	0	0	0
Mellon Bank, N.A. As Trustee For UPMC Master Trust	0	0	0	0
Metropolitan Transportation Authority (MTA) Retiree Welfare Benefits Plan	0	0	0	0
Midland County Medical Center, Inc.	0	0	0	0
MidMichigan Health	0	0	0	0
MidMichigan Health Employees' Pension Plan	0	0	0	0
MidMichigan Health Pension Plan For ARAC Employees	0	0	0	0
Mitsubishi Motors Pension Trust Fund	0	0	0	0
MTA Master Trust	0	0	0	0
Mutifund B.V.	17 (2016-20)	3 (2016-20)	4 (2016-17, 2020)	0
National Retirement Trust (Blue Creek Blue Shield)	0	0	0	0

## By Requiring Guilty Plea, SDNY Will Disincentivize Corporations from Doing the Right Thing

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Allianz SE has **paid billions of dollars** to compensate investors when it had **no legal duty to do so**.



AGI US has provided **valuable cooperation** to SDNY – **above and beyond** what is required by DOJ policy.

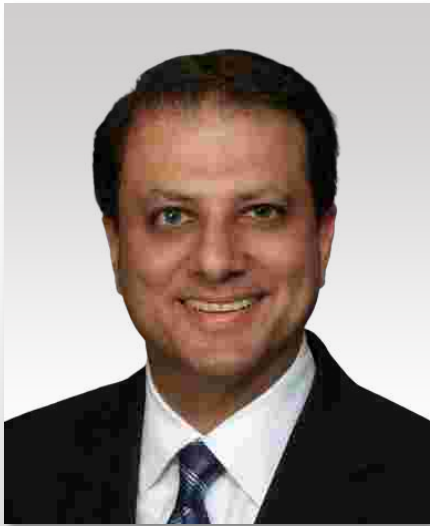


AGI US will be unable to continue cooperating effectively in the prosecution of the PMs if AGI US is shut down by a guilty plea.



# SDNY Agrees To DPAs In Cases Where Defendants Provide Valuable Cooperation

Press Conference Announcing GM DPA, Sept. 17, 2015



**Preet Bharara**

*Former US Attorney  
for the Southern  
District of New York*

“[C]ompanies **should be encouraged** to act as GM did here to **help the truth come out faster, to help victims’ families get compensated earlier**, to weed out the bad actors faster, to do everything they can to make sure tragedies like those that unfolded in this case never happen again.”

## Allianz SE and AGI US have provided valuable cooperation

<https://www.justice.gov/usao-sdny/video/manhattan-us-attorney-announces-criminal-charges-against-general-motors-and-deferred>).

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## **SDNY Should Not Impose A Corporate Death Penalty On AGI US**

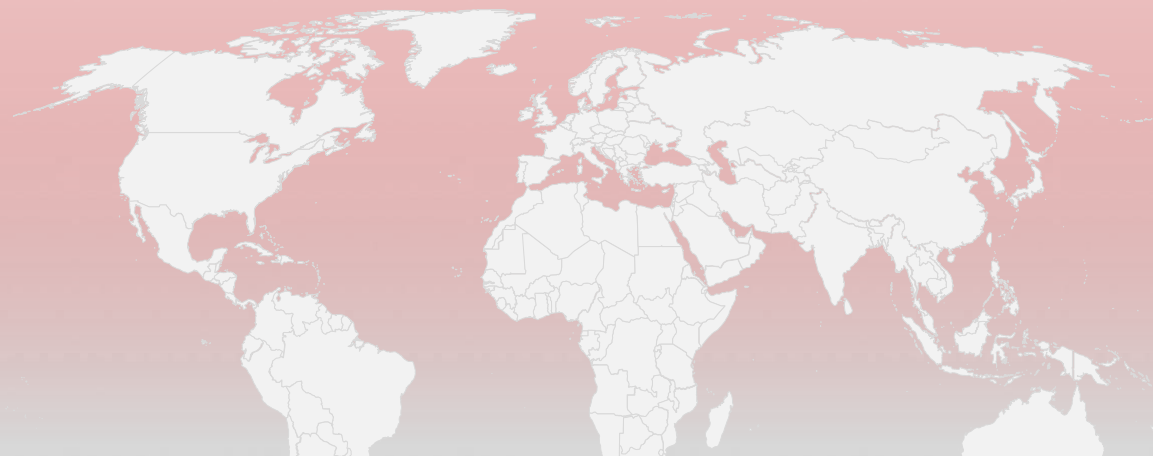
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# A Guilty Plea By AGI US Will Adversely Impact Investors Who Invest Through Intermediaries And Institutions

**Americas: 178**  
intermediaries/  
institutional clients

**EMEA: 1,376**  
intermediaries/  
institutional clients

**APAC: 276**  
intermediaries/  
institutional clients



**Millions of retail investors will be directly affected worldwide as a result of AGI US guilty plea**

## **Guilty Plea Will Cause Mass Exodus Of AGI US Employees, Creating Chaotic Unwind Situation That Will Harm Investors**

**100% of AGI US employees are at will and can leave  
upon the entry of a guilty plea**

### **PM Teams**

**Orphaned funds with no one experienced to  
manage the \$120 billion in third-party AUM**

### **Risk Management**

**No one to manage the risk during the volatile  
markets caused by Russian invasion of Ukraine**

### **Relationship Managers**

**No one to respond to investor redemption  
requests**

### **Legal Personnel**

**No one to handle the wind-down of the funds  
and respond to requests from foreign regulators  
in jurisdictions where AGI US advises funds**

# A Guilty Plea By AGI US Will Adversely Impact Millions Of Investors

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**Upon entry of a guilty plea, AGI US will have to begin unwinding and liquidating positions in funds with \$120 billion in AUM**

**During this wind-down period, investors likely will rush to exit the funds creating the risk of investor losses and potential halts on investor withdrawals.**

**US investors will likely suffer losses during the wind-down process.**

## A Guilty Plea Will Put 348 US Employees Out Of Work

**132 employees**

Allianz Global Investors U.S. Holdings LLC

Allianz Global  
Investors U.S. LLC

**186 employees**

Allianz Capital Partners  
of America LLC

**12 employees**

Allianz Global Investors  
Distributors LLC

**18 employees**

# Dozens Of “Unskilled” AGI Employees Are Unlikely To Find Equivalent Jobs

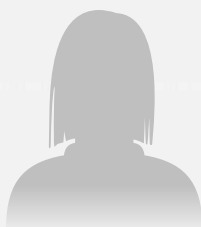
Robert G.



Analyst NE

25 years  
at AGI

Majivel S.



Assistant

21 years  
at AGI

Leticia E.

Office  
Administrator

7 years at AGI

Nicholas W.

Document  
Specialist

5 years at AGI

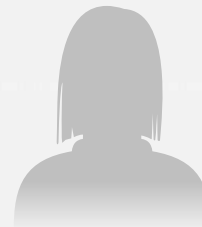
Jessica S.



HR Generalist

6 years  
at AGI

Vikki R.

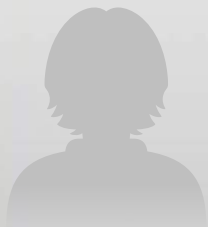


Assistant

5 years  
at AGI

## No involvement in the misconduct

Jane V.

Location  
Manager

25 years at AGI

Susan S.



Receptionist

15 years  
at AGI

Jimmy S.



Assistant

15 years  
at AGI

Allison E.



Assistant

5 years  
at AGI

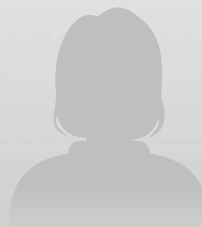
Patrick M.



Analyst NE

21 years  
at AGI

Susan B.



Assistant

15 years  
at AGI



# A Guilty Plea By AGI US Would Cause Substantial Job Losses Globally

**348 jobs  
lost in US**



**~100 jobs  
lost in Europe**



**~300 jobs  
lost in Asia**



**Over 700 jobs lost worldwide  
as a result of AGI US guilty plea**

# A Guilty Plea Will Destabilize Germany's Largest Financial Institution In A Time Of Global Turmoil



REUTERS

**LIVE MARKETS** Germany's  
DAX faces worst day since  
COVID-19 crash

**The New York Times**

**Stocks and Energy Markets  
Whipsaw After Russian Attack on  
Ukraine**

**THE WALL STREET JOURNAL.**

**Russian Invasion Scrambles Prospects  
for Global Economy**

**THE WALL STREET JOURNAL.**

**Ukraine War Means Another Supply  
Shock to Global Economy, the Last  
Thing It Needs**



REUTERS

**Global finance grapples  
with Ukraine crisis as  
shares slump**



REUTERS

**Markets brace for heavy  
falls as Russia-Ukraine  
crisis escalates**

<https://www.reuters.com/markets/stocks/live-markets-germanys-dax-faces-worst-day-since-covid-19-crash-2022-02-24/>; <https://www.nytimes.com/2022/02/24/business/economy/stock-market-today.html>; <https://www.reuters.com/markets/europe/european-finance-reacts-ukraine-conflict-with-emergency-plans-bond-freezes-2022-02-24/>; <https://www.wsj.com/articles/ukraine-war-means-another-supply-shock-to-global-economy-the-last-thing-it-needs-11645785001>; [https://www.wsj.com/articles/russian-invasion-scrambles-prospects-for-global-economy-11645699066#:~:text=Russia's%20invasion%20of%20Ukraine%20heaped,and%20its%20allies%20have%20promised](https://www.wsj.com/articles/russian-invasion-scrambles-prospects-for-global-economy-11645699066#:~:text=Russia's%20invasion%20of%20Ukraine%20heaped,and%20its%20allies%20have%20promised;); <https://www.reuters.com/markets/europe/markets-brace-heavy-falls-russia-ukraine-crisis-escalates-2022-02-21/>.

## Following AGI US Guilty Plea, Innocent Affiliates Will Face Heightened Scrutiny From Clients And Potential Clients

P I M C O



Allianz Life

Allianz   
SE

### Representative RFP Questions

“**List any** current or historical civil or **criminal proceeding** or investigations against the firm, a principal or key employee of the firm, or **any affiliate of the firm.**”

“**Has** the firm, its **affiliates**, any of its investment vehicles or its principals been **subject to:** any threatened or pending litigation; **criminal**, civil or administrative **proceedings** . . . ? **If yes, explain** and attach supporting documentation.”

# A Guilty Plea Would Be A “Corporate Death Penalty” For AGI US



**Mary Jo White**

*Former US Attorney for  
The Southern District  
Of New York*

Corporate Crime Reporter Interview,  
December 12, 2005

“[E]very prosecutor, certainly if they are doing their job right, is very **concerned about the impact on the innocent employees or shareholders**, if you bring a corporate charge.”

Interview by Corporate Crime Reporter with Mary Jo White, Partner, Debevoise & Plimpton LLP (Dec. 12, 2005), available at <http://www.corporatecrimereporter.com/maryjowhiteinterview010806.htm>.

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II

## **SDNY Should Not Impose A Corporate Death Penalty On AGI US**

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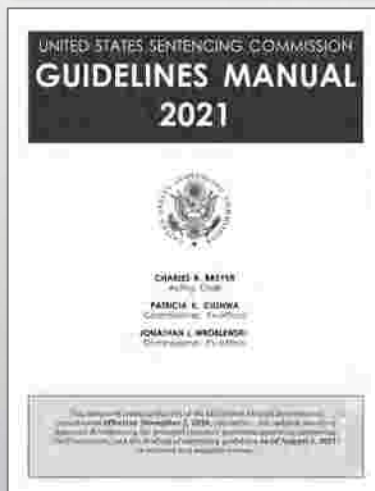


# Failure To Detect Misconduct Does Not Warrant A Guilty Plea



## U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs (Updated June 2020)

“[I]t is important to note that **the existence of misconduct does not, by itself, mean that a compliance program did not work or was ineffective** at the time of the offense.”



## United States Sentencing Commission Guidelines Manual, §8B2.1(a) Effective Compliance and Ethics Program (2021)

“The **failure to prevent or detect the instant offense does not necessarily mean that the program is not generally effective** in preventing and detecting criminal conduct.”

<https://www.justice.gov/criminal-fraud/page/file/937501/download>; <https://guidelines.ussc.gov/gl/§8B2.1>.

# Compliance Program Requirements:

## Rule 206(4)-7 Under The Investment Advisers Act

### Rule 206(4)-7, 17 C.F.R. § 275.206(4)–7



- “(a) **Policies and procedures**. Adopt and implement written policies and procedures **reasonably designed to prevent violation**, by you and your supervised persons, of the Act and the rules that the Commission has adopted under the Act;
- (b) **Annual review**. Review, no less frequently than annually, the **adequacy of the policies and procedures** established pursuant to this section and the effectiveness of their implementation; and
- (c) **Chief compliance officer**. Designate an individual (who is a supervised person) responsible for administering the policies and procedures that you adopt under paragraph (a) of this section.”





## Legal & Compliance Was Adequately Resourced

**McKinsey Benchmarking:  
AllianzGI spend on Legal &  
Compliance exceeds industry  
peers based on operating cost  
margin.**

- Average global annual budget for Legal & Compliance from 2016 to 2021 was **\$36.5 million**

### McKinsey 2021 Global Asset Management Survey: Preliminary Summary Results



### Peers include:



McKinsey 2021 Global Asset Management Survey - Preliminary summary results, at 5.

# PwC Consistently Found That AGI US's Controls Were Suitably Designed

## 2018, 2019, and 2020 PwC Reports on AGI US's Controls



“In our opinion . . .

- the **controls** related to the control objectives . . . **were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively** throughout the period November 4, 2019 to October 31, 2020 and subservice organizations and user entities applied the complementary controls.”

"Report on AllianzGI US' Description of Its Investment Adviser System and on the Suitability of the Design and Operating Effectiveness of Controls throughout the period November 4, 2019 - October 31, 2020, at 7."

# Compliance Acts With Independent “Authority and Stature”

DOJ Guidance	Compliance
“[S]ufficient seniority within the organization”	<ul style="list-style-type: none"> <li>Run by <b>Chief Compliance Officer</b> with over 30 years of experience in compliance and internal audit</li> </ul>
“[S]ufficient resources, namely, staff to effectively undertake the requisite auditing, documentation, and analysis”	<ul style="list-style-type: none"> <li>Staffed by <b>14 US employees</b></li> <li>Benchmarking shows global spend on Compliance <b>exceeds industry peers</b></li> <li>Actively monitors trading through daily reporting and imposition of pre-approval requirements</li> </ul>
“[S]ufficient autonomy from management”	<ul style="list-style-type: none"> <li>Access to Legal, Compliance and Risk Committee</li> <li><b>No reporting lines to business</b></li> <li><b>Compensation not dependent on business</b></li> </ul>

U.S. Department of Justice Criminal Division, Evaluation of Corporate Compliance Programs (Updated June 2020).

# Enterprise Risk Management (ERM) Was Adequately Resourced

**McKinsey Benchmarking:**  
AllianzGI **spend on ERM exceeds industry peers** based on operating cost margin.

- Average global annual budget for ERM from 2016-2021 was **\$14.9 million**

## McKinsey 2021 Global Asset Management Survey: Preliminary Summary Results



## Peers include:



McKinsey 2021 Global Asset Management Survey - Preliminary summary results, at 5.

## ERM Was Independent



**Draft Statement Of Facts**, February 24, 2022

“18. . . . the risk function was not truly independent.”



ERM did not report to PMs



ERM's compensation was not tied to performance of any portfolio



Data for ERM analyses sourced from back office or custodial bank



ERM did not rely on models generated by investment teams

## ERM Acts With Independent “Authority and Stature”

DOJ Guidance	ERM
“[S]ufficient seniority within the organization”	<ul style="list-style-type: none"> <li>Run by <b>US Head Of Risk</b> with over 20 years of experience in risk management</li> </ul>
“[S]ufficient resources, namely, staff to effectively undertake the requisite auditing, documentation, and analysis”	<ul style="list-style-type: none"> <li>Staffed by <b>5 US employees</b> and supported by <b>European risk team</b></li> <li>Benchmarking shows global spend on ERM <b>exceeds industry peers</b></li> <li>Actively monitors stress tests, VaR, and other risk metrics</li> </ul>
“[S]ufficient autonomy from management”	<ul style="list-style-type: none"> <li>Access to Legal, Compliance and Risk Committee</li> <li><b>No reporting lines to business</b></li> <li><b>Compensation not dependent on business</b></li> </ul>

U.S. Department of Justice Criminal Division, Evaluation of Corporate Compliance Programs (Updated June 2020).






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- 7. SDNY Has Consistently Resolved Cases With Significant Control Failures Without Guilty Pleas**



# SDNY Has Never Required A Guilty Plea Based On Deficient Internal Controls



















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Even if AGI US's internal controls were deficient, that still would not warrant a guilty plea here.

Even in cases where control failures contributed to the fraud or allowed the fraud to continue undetected, SDNY did not require a guilty plea.

# SDNY Practice Is To Resolves Cases With Significant Control Failures Without Entity-Level Guilty Plea

	Regulator Charges Entity With Control Failures	SDNY Charges Individual	SDNY Entity- Level Guilty Plea
JPMorgan "London Whale"			
JPMorgan "Madoff"			
Visium Asset Management			
Deerfield Management Company			
Morgan Stanley Smith Barney			
Herbalife			

# SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



**Draft Statement Of Facts**, February 24, 2022

“16. The ability of the portfolio managers to deviate from the representations that had been made to investors was only possible because of fundamental **failures in the control functions** at AGI[.]”

**NO CHARGE**

JPMORGAN CHASE & CO. (“London Whale”)

**2013**

SEC found JPM had “**woefully deficient controls**,” “**insufficiently supervised**” traders and “**did not adequately document**” policies.

<https://www.sec.gov/news/press-release/2013-187>; <https://www.sec.gov/litigation/admin/2013/34-70458.pdf>.

# SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



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“16. The ability of the portfolio managers to deviate from the representations that had been made to investors was only possible because of fundamental **failures in the control functions** at AGI[.]”

**NO CHARGE**



2016

SEC found “Visium **failed to enforce policies and procedures** reasonably designed to prevent the misuse of [MNPI].”

<https://www.sec.gov/litigation/admin/2018/33-10494.pdf>.

# SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



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“16. The ability of the portfolio managers to deviate from the representations that had been made to investors was only possible because of fundamental **failures in the control functions** at AGI[.]”

**NO CHARGE**

Morgan Stanley  
Smith Barney

2017

SEC found Morgan Stanley “**failed to have reasonably designed policies and procedures in place to prevent its advisory representatives from misusing or misappropriating funds.**”

<https://www.sec.gov/news/press-release/2018-124>.

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“16. The ability of the portfolio managers to deviate from the representations that had been made to investors was only possible because of fundamental **failures in the control functions** at AGI[.]”

**DPA**



**2020**

SEC found “[Herbalife] **failed to detect and prevent** improper payments and benefits and the falsified expense reports.”

<https://www.sec.gov/news/press-release/2020-197>.



# SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



Draft Statement Of Facts, February 24, 2022

“17. [N]either ERM nor any other independent entity was tasked with **monitoring whether AGI US was adhering to its representations to investors** in the management of the Funds.”

NO CHARGE



2016

SEC found “Visium **failed to update or revise** its valuation-related disclosures to reflect its actual practices.”

<https://www.sec.gov/litigation/admin/2018/33-10494.pdf>.

# SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



Draft Statement Of Facts, February 24, 2022

“19. Although [the 2017] audit identified red flags that, if pursued, might have led to identification of the fraud, **no meaningful follow up was conduct[ed].**”

**NO CHARGE**

JPMORGAN CHASE & CO. (“London Whale”)

2013

SEC found that “[S]enior management . . . **failed to timely escalate** and share [troubling] information with the firm’s audit committee.”

<https://www.sec.gov/news/press-release/2013-187>.

# SDNY Has Not Required A Guilty Plea In Cases With Similar Control Failures



Draft Statement Of Facts, February 24, 2022

“19. Although [the 2017] audit identified red flags that, if pursued, might have led to identification of the fraud, **no meaningful follow up was conduct[ed].**”

**DPA**

JPMORGAN CHASE & CO. (“Madoff”)

2014

“While the suspicions . . . led to JPMorgan’s own redemptions . . . **JPMorgan never looked into Madoff.**”

<https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-and-fbi-assistant-director-charge-announce-filing-criminal>.

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**DPA**



**SOCIETE  
GENERALE**

**2018**

**“The conduct continued despite the ongoing awareness of SG’s Group Compliance.”**

<https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-announces-criminal-charges-against-soci-t-g-n-rale-sa-violations>.

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**III**

## **SDNY Can Satisfy Its Prosecutorial Objectives With A DPA, Significant Fine And Monitor**

- 1. SDNY's deterrence objectives can be fully satisfied by (i) the imposition of a significant fine and (ii) prosecuting the PMs**
2. A three-year monitor will ensure an appropriate control environment
3. The institution of a strict liability enforcement regime for investment advisers would undermine long-term prosecutorial objectives

# DPA Will Achieve The Enforcement Objective Of Deterrence



**Lisa Monaco**

*Deputy Attorney  
General*

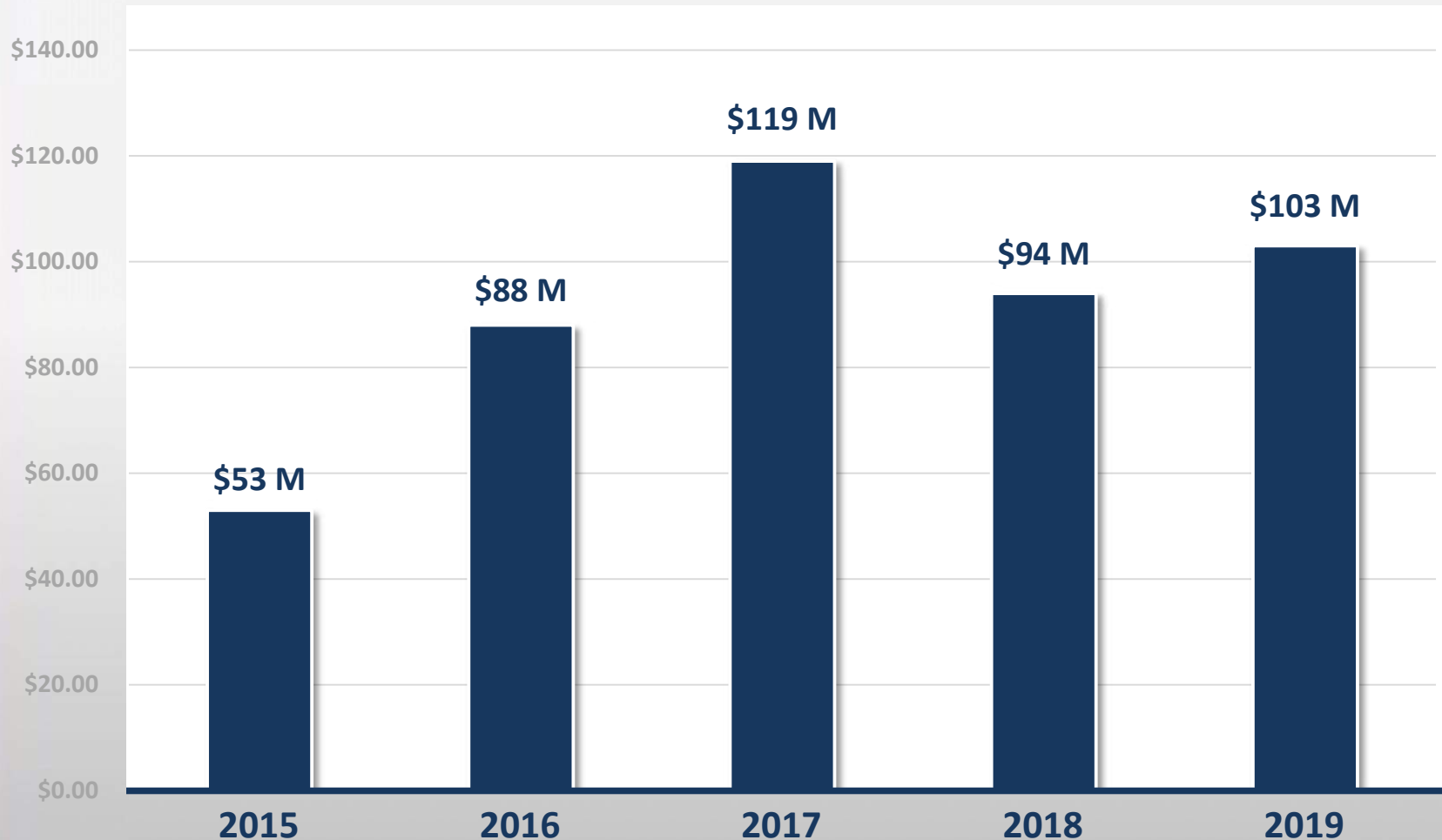
Keynote Address at National Institute on White Collar Crime, October 28, 2021

“**DPAs** and NPAs **are not a free pass**, and there will **be serious consequences** for violating their terms.”

<https://www.justice.gov/opa/speech/deputy-attorney-general-lisa-o-monaco-gives-keynote-address-abas-36th-national-institute>.

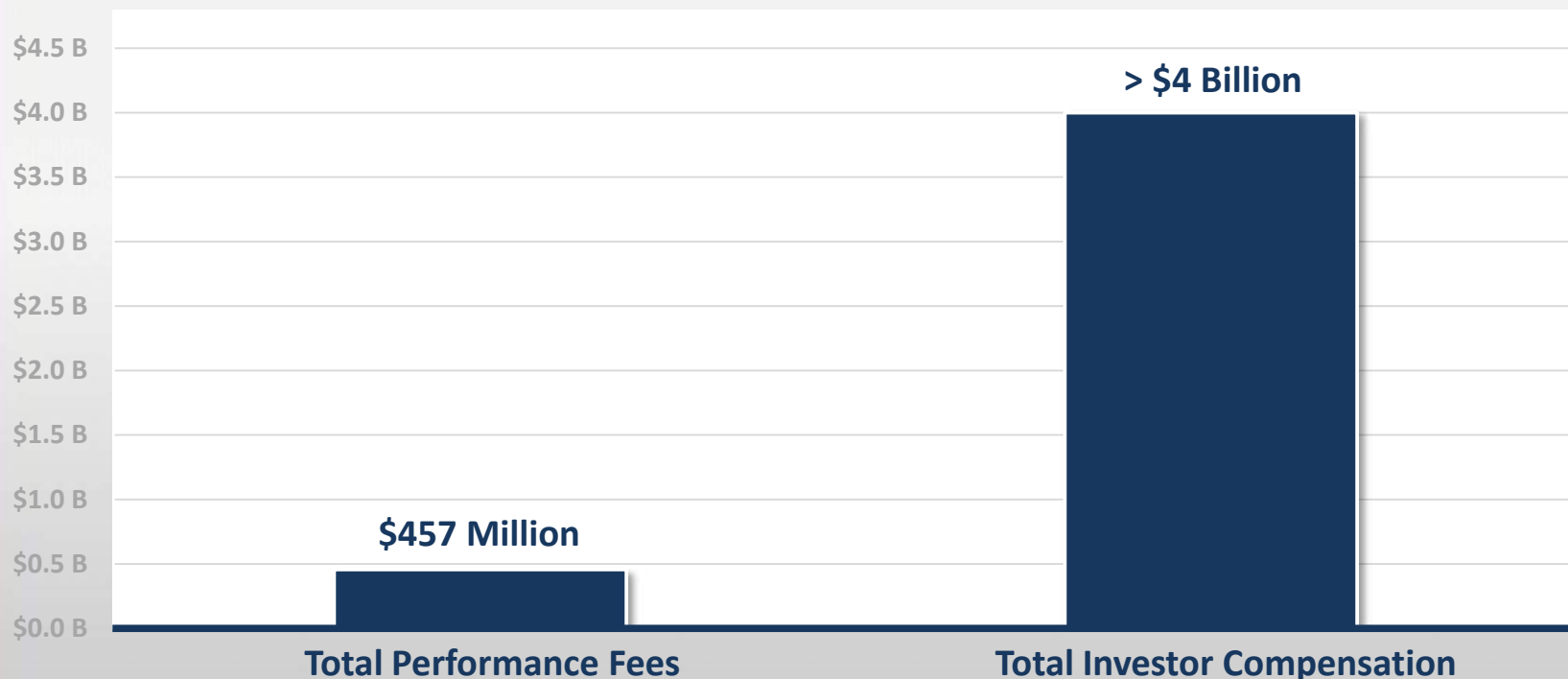


# AGI US Earned \$457 Million In Performance Fees From Structured Alpha From 2015-2019



# Allianz SE Will Pay Up To **10 Times** The Total Performance Fees Earned On Structured Alpha To Compensate Investors

Allianz SE has already paid \$3.5 billion to investors and anticipates paying another \$500 million - \$1 billion to remaining investors.



**Paying 10 times profits achieves substantial deterrence**

# \$3.5 Billion Already Paid Ranks This As The Third Largest Civil Settlement Ever

ISS SCAS

## TOP 100 SETTLEMENTS AS OF 31 DECEMBER 2020

THE TO  
U.S. CLA  
SETTLEM  
ALL-TIME

**AGI US  
#3**

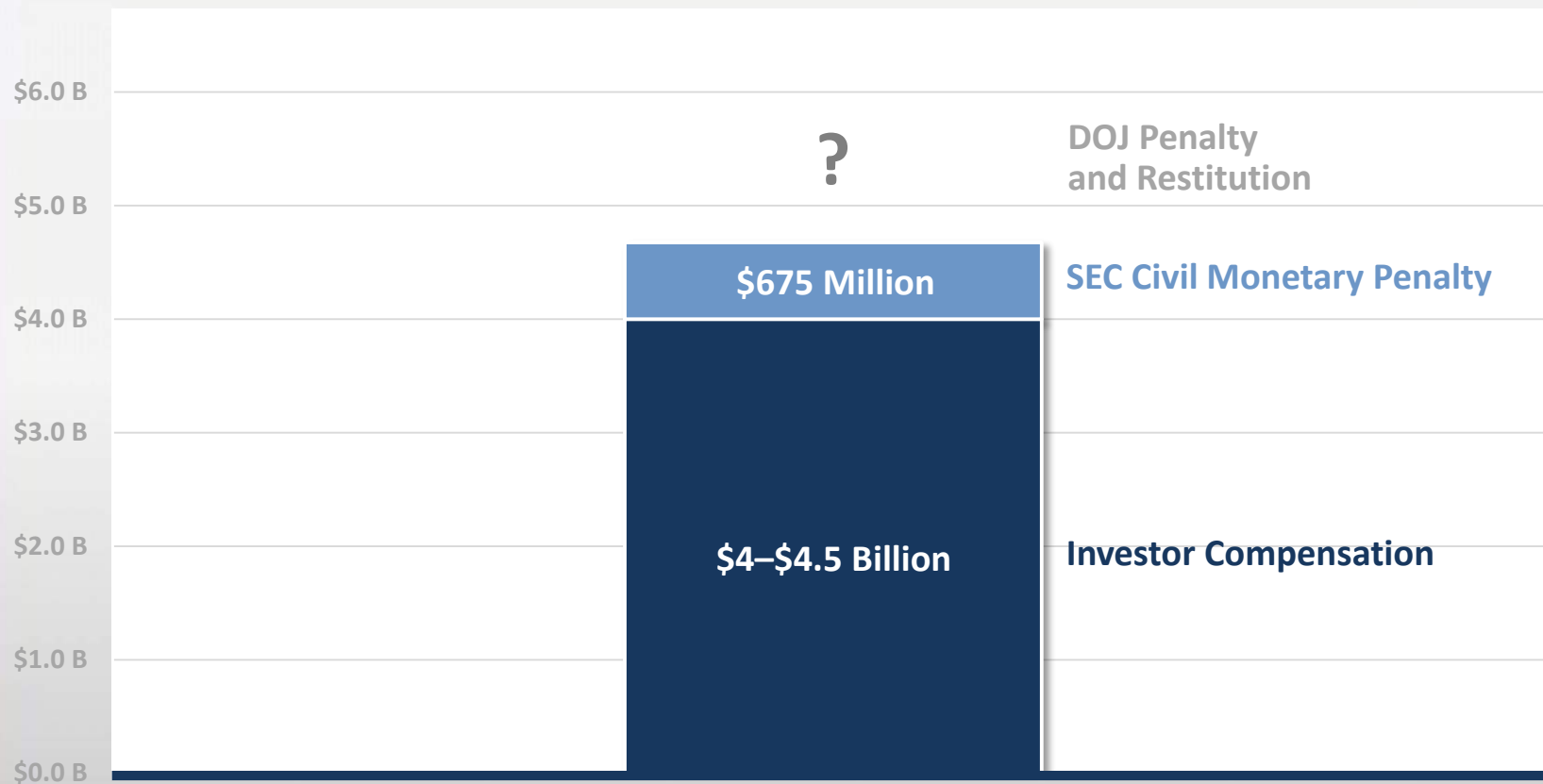
RANK	COMPANY NAME	COURT	SETTLEMENT YEAR	TOTAL SETTLEMENT AMOUNT
1	Enron Corp.	S.D. Tex.	2010	\$7,242,000,000
2	WorldCom, Inc.	S.D.N.Y.	2012	\$6,194,100,714
3	Cendant Corp.	D. N.J.	2000	\$3,319,350,000
4	Tyco International, Ltd.	D. N.H.	2007	\$3,200,000,000
5	Petroleo Brasileiro S.A. - Petrobras	S.D.N.Y.	2018	\$3,000,000,000
6	AOL Time Warner, Inc.	S.D.N.Y.	2006	\$2,500,000,000
7	Bank of America Corporation	S.D.N.Y.	2013	\$2,425,000,000
8	Household International, Inc.	N.D. Ill.	2016	\$1,575,000,000

**Allianz SE expects final resolution with all investors will be \$4 billion+**

<https://www.issgovernance.com/library/the-top-100-us-settlements-of-all-time-december-2020/>.

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# Allianz SE Will Pay More Than \$5 Billion For Global Resolution With A DPA



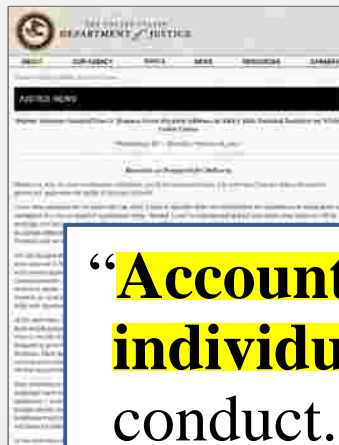
**A DPA resolution of this magnitude achieves substantial deterrence**

# A Guilty Plea Is Unnecessary Because DOJ Action Against Individuals Will Satisfy The Goals Of Federal Prosecution



**Lisa Monaco**

Deputy Attorney General



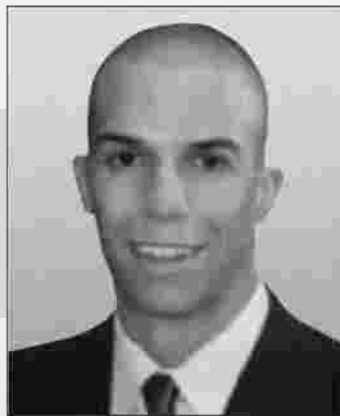
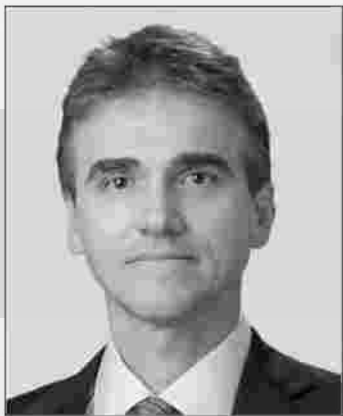
Keynote Address at National Institute on White Collar Crime, October 28, 2021

**“Accountability starts with the individuals responsible** for criminal conduct. Attorney General Garland has made clear it is unambiguously this **department’s first priority in corporate criminal matters to prosecute the individuals** who commit and profit from corporate malfeasance.”

<https://www.justice.gov/opa/speech/deputy-attorney-general-lisa-o-monaco-gives-keynote-address-abas-36th-national-institute>.

# A Guilty Plea Is Unnecessary Because DOJ Action Against Individuals Will Satisfy The Goals Of Federal Prosecution

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DOJ will have a **strong case against the wrongdoers,**  
in part due to **AGI US's cooperation**



III

## **SDNY Can Satisfy Its Prosecutorial Objectives With A DPA, Significant Fine And Monitor**

1. SDNY's deterrence objectives can be fully satisfied by (i) the imposition of a significant fine and (ii) prosecuting the PMs
2. **A three-year monitor will ensure an appropriate control environment**
3. The institution of a strict liability enforcement regime for investment advisers would undermine long-term prosecutorial objectives

# DPAs Foster Controls Enhancements And Remediation



**Lisa Monaco**

*Deputy Attorney  
General*

Keynote Address at National Institute on White Collar Crime, October 28, 2021

“[T]he **purpose of pretrial diversion** [NPAs and **DPAs**]. . . is after all to give a break to corporations in exchange for **their promise to fix what ails them**, as well as to **recognize a company’s cooperation**.”

<https://www.justice.gov/opa/speech/deputy-attorney-general-lisa-o-monaco-gives-keynote-address-abas-36th-national-institute>.

# If It Survives With A DPA, AGI US Is Committed To Controls Enhancements And Remediation

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▶ **3-year monitor**

▶ **Hired new Chief Risk Officer at AllianzGI**

▶ **Will hire Global Head Of Compliance at AllianzGI**

▶ **New end-to-end platform for review and approval of client communications**

▶ **Review of client communications by subject matter experts**

▶ **Enhanced email surveillance**

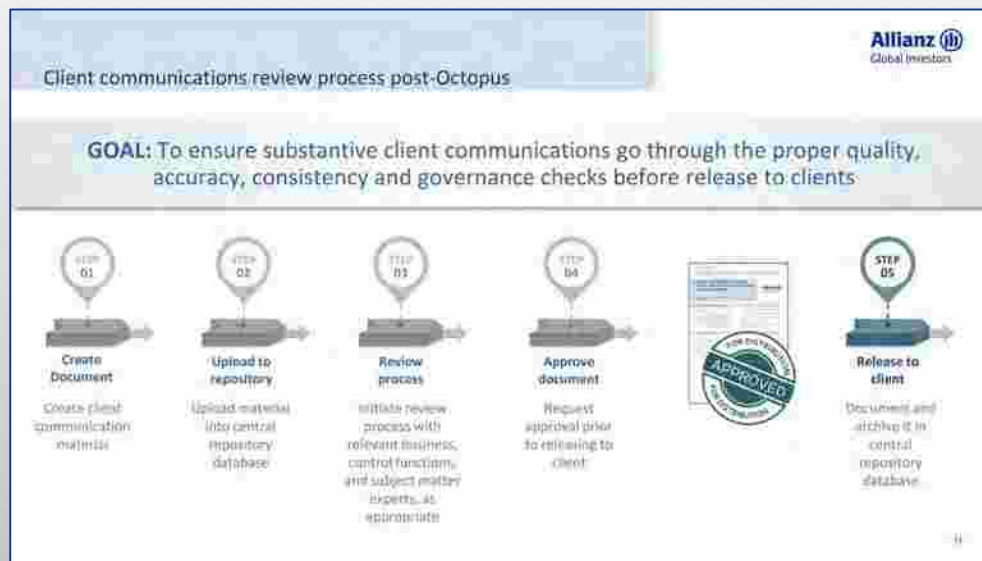
# AGI US Is Implementing Project Octopus To Enhance Review & Approval Of Client Communications



## Draft Statement Of Facts, February 24, 2022

“16. Further, client reporting and communications with existing clients about existing products were not reviewed at all by Compliance.”

## Control Functions Presentation, February 9, 2022



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# DPA Is “The Tool” That Allows For **Calibrated Enforcement** In Corporate Criminal Cases



**Mary Jo White**

*Former US Attorney for  
The Southern District  
Of New York*

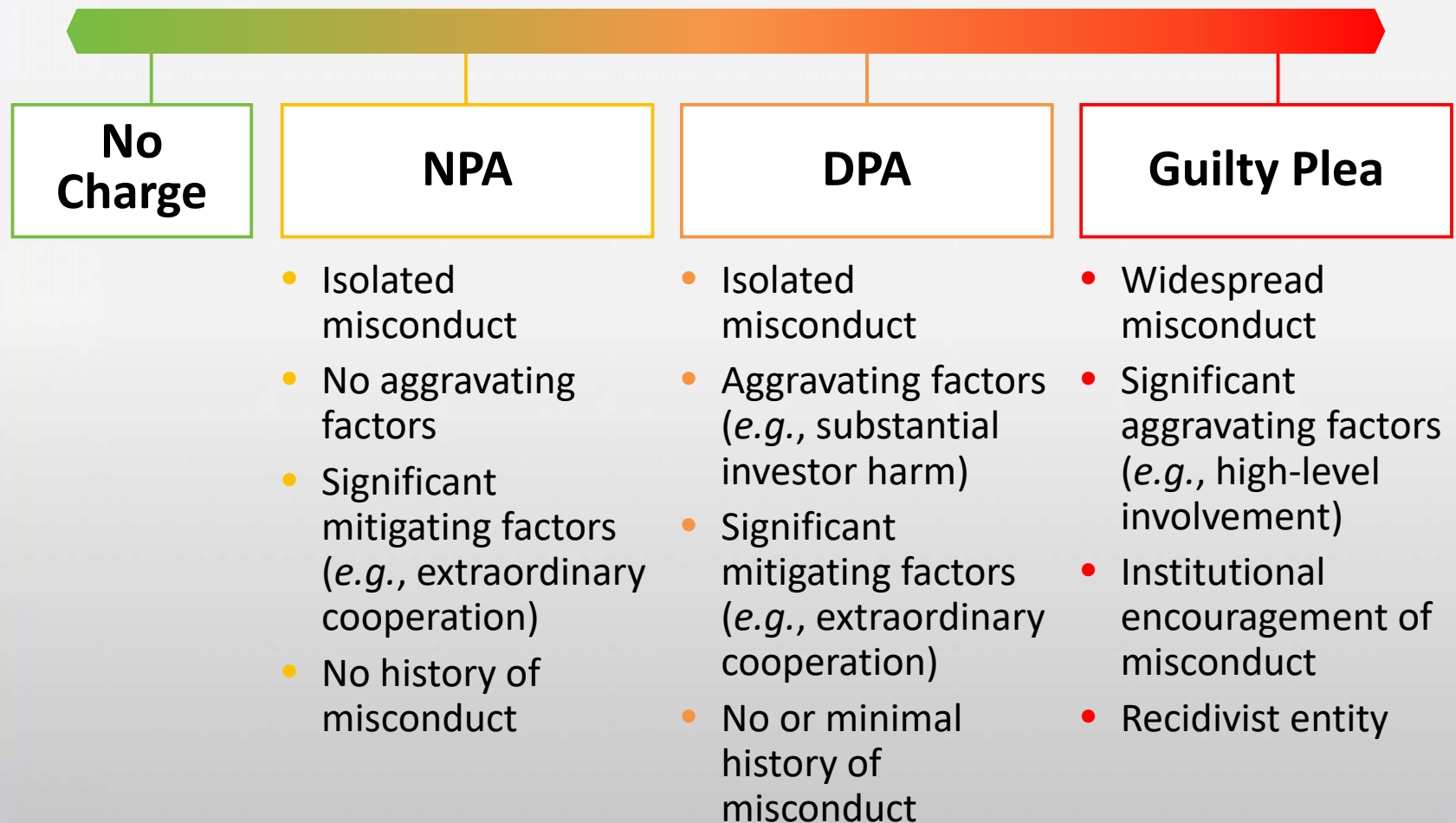
Corporate Crime Reporter Interview,  
December 12, 2005

**“You saw the collateral consequences coming to roost in [Arthur] Andersen.** The Justice Department realized in very concrete stark terms – do I really want these kinds of consequences. Are we really serving the public interest? **And so, the tool [of a DPA] is available to them . . . .”**

<https://www.corporatecrimereporter.com/news/200/interview-with-mary-jo-white-debevoise-new-york-new-york/>.



# DPA Allows For Calibrated Enforcement In Corporate Criminal Cases

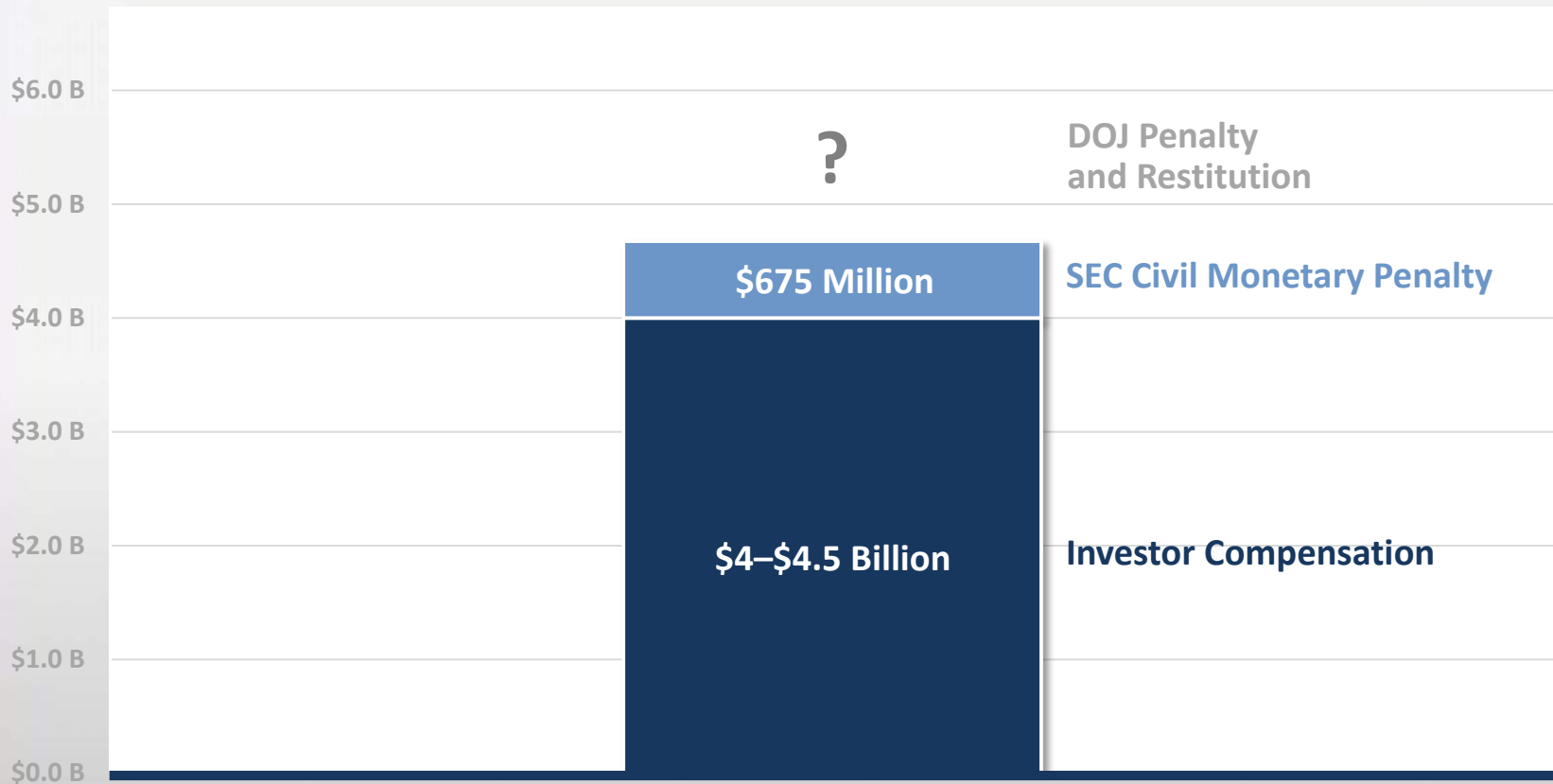


## IV

### A DPA Is The Right Path Forward

1. Under a DPA, Allianz SE is prepared to fund significant fines to the DOJ and SEC and to continue to fund settlements with investors
2. A DPA will avoid requiring a corporate death penalty for any criminal conduct in an investment adviser
3. A DPA is supported by SDNY precedent

# Allianz SE Will Pay More Than \$5 Billion For Global Resolution With A DPA



**A DPA resolution of this magnitude achieves substantial deterrence**

# Allianz SE Is Prepared To Pay Fines To DOJ And SEC Only With DPA

**Allianz**   
Global Investors

**Guilty plea will destroy AGI US with an enterprise value of \$2.5 - \$3 billion**

**Allianz**   
SE

Allianz SE can only pay amounts on behalf of AGI US **consistent with its duties** to its **shareholders and German corporate governance principles.**

In the event of a guilty plea, Allianz SE may have to **place AGI US into bankruptcy.**

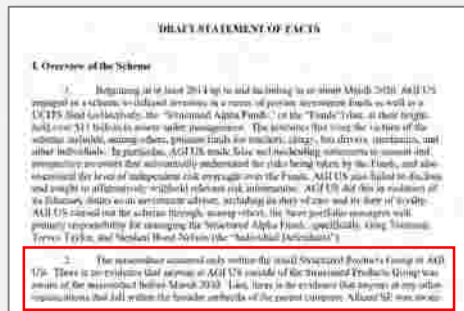
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# No One Outside Of The Structured Products Group Knew of The PMs' Misconduct



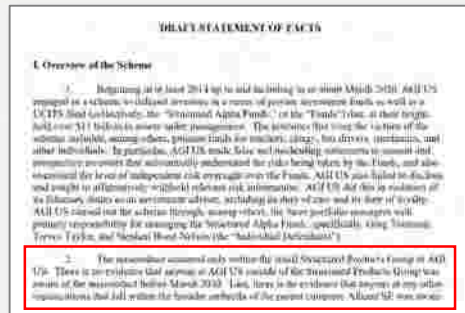
Draft Statement Of Facts, February 24, 2022

“... There is no evidence that anyone at AGI US outside of the Structured Products Group was aware of the misconduct before March 2020. . . .”





# No Other Allianz Entity Was Aware Of The PMs' Misconduct



## Draft Statement Of Facts, February 24, 2022

“... Last, there is no evidence that anyone at any other organizations that fall within the broader umbrella of the parent company Allianz SE was aware of or participated in the misconduct.”

## A corporate death penalty based on the **misconduct of three PMs** will:

1. Put **over 700 people out of work** globally
2. **Cause chaos** for investors in Allianz funds during wind-down
3. **Harm innocent US affiliates**, including PIMCO and Allianz Life of America
4. Render AGI US **unable to continue cooperating** in the prosecution of the PMs and **disincentivize cooperation** in future cases
5. Establish **unworkable precedent** for future cases involving large investment advisers

## **IV**

### **A DPA Is The Right Path Forward**

1. Under a DPA, Allianz SE is prepared to fund significant fines to the DOJ and SEC and to continue to fund settlements with investors
2. A DPA will avoid requiring a corporate death penalty for any criminal conduct in an investment adviser
3. **A DPA is supported by SDNY precedent**

# SDNY Would **Not** Be Treating “Like Cases Alike” By Imposing A Death Penalty On AGI US



**Merrick Garland**





































*US Attorney  
General*

Remarks at Investiture Ceremony,  
Nov 19, 2021

**“Upholding the rule of law**  
requires that we adhere to  
the norms that have been  
part of the DNA of every  
DOJ employee. . . those  
**norms require that we**  
**treat like cases alike.”**

<https://www.c-span.org/video/?516235-1/attorney-general-garland-remarks-investiture-ceremony-us-attorney-damian-williams>.

## Except For SAC Capital, SDNY Has Consistently Resolved Cases Involving Investment Advisers Without Requiring A Guilty Plea

	SEC Individual Charges	SEC Entity-Level Charges	SDNY Individual Charges	SDNY Entity-Level Charge
FF Fund Management				
International Investment Group				
Premium Point Investments				
Deerfield Management Company				
Sentinel Growth Fund Management				
Morgan Stanley Smith Barney				
Weston Capital Asset Management				
Visium Asset Management				
Artis Capital Management				

# SDNY Has Never Required A Guilty Plea Based On Deficient Internal Controls

JPMORGAN CHASE & CO. (Madoff)

2014

- JPMorgan's **control failures permitted the Madoff scheme to continue**, costing investors **\$20 billion in lost principal**.
- "JPMorgan **connected the dots when it mattered to its own profit**" and **withdrew approx. \$300 million** from Madoff feeder funds "but was **not so diligent otherwise**" and **failed to notify its own customers** of the fraud.
- Compliance officers "never looked into Madoff," and "**did very little to investigate** [] suspicions, **failed to raise** [] **concerns** with the bank's anti-money laundering department, and failed to file [SARs]."

**Despite JPMorgan's repeated control failures,  
SDNY resolved the matter through a DPA**

<https://www.justice.gov/archive/usao/nys/pressreleases/August13/MartinArtajoandJulienGroutComplaintsPR.php>; <https://www.sec.gov/news/press-release/2013-187>; <https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-and-fbi-assistant-director-charge-announce-filing-criminal>; <https://www.bloomberg.com/graphics/2018-recovering-madoff-money/>.

# SDNY Has Entered Into DPAs In Cases Involving Serious Misconduct Leading To Fatalities

## 2014 DPA



- Unintended-acceleration problem, which in one instance **“killed a family of four.”**
- Even though it knew about the defect, Toyota canceled plans to implement a design change to **hide the flaw** from U.S. regulators.
- Later claimed to have addressed the fatal defect while **continuing to allow faulty pedals to be installed** in new vehicles.

## 2015 DPA



- Lethal safety defect caused at least **“a total of 15 deaths**, as well as a number of serious injuries.”
- Engaged in a **scheme to conceal** from its U.S. regulator a **deadly safety defect** causing airbag non-deployment.
- **Misled consumers about cars’ safety**, saying “the Defective Switch posed no safety concern. . .”

Toyota Motor Corporation Deferred Prosecution Agreement Ex. C, Statement of Facts ¶¶ 2-3, 9 (Mar. 19, 2014); <https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-announces-criminal-charges-against-general-motors-and-deferred>.

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# SDNY Has Recently Entered Into DPAs In Corporate Cases Involving Serious Misconduct

## 2018 DPA



- “[O]perated the [AML] program ‘on the cheap’ by restricting headcount and other compliance resources, and then imposed hard caps on the number of transactions subject to AML review in order to create the appearance that the program was operating properly.”
- **Failed to detect and investigate** a large number of suspicious transactions.
- **Deliberately concealed wrongful approach** from the OCC.

## 2020 DPA



- Herbalife and its **high-level executives** “**approved the extensive and systematic corrupt payments** to Chinese government officials over a 10-year period to promote and expand Herbalife’s business in China. . .”
- Conspired to “**improperly influenc[e]** certain Chinese state-owned and state-controlled media. . .”
- Herbalife “**failed to detect and prevent** improper payments and benefits and falsified expense reports.”

<https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-announces-criminal-charges-against-us-bancorp-violations-bank>;  
<https://www.justice.gov/usao-sdny/pr/herbalife-agrees-pay-123-million-resolve-foreign-corrupt-practices-act-case>;  
<https://www.sec.gov/news/press-release/2020-197>.

## A DPA will best accomplish SDNY's enforcement objectives:

1. **Significant DOJ and SEC fines**, coupled with \$4 billion in payments to investors, all paid by Allianz SE, will achieve **substantial deterrence**.
2. **Avoid severe collateral consequences** for innocent employees, investors and affiliates.
3. Allow AGI US to **continue to cooperate** in the ongoing prosecutions of PMs and reflect AGI US's exemplary cooperation to date.
4. Permit **rehabilitation** of AGI US with the imposition of a three-year monitor.
5. **Follow SDNY precedent** and **avoid establishing a new corporate death penalty regime** whenever isolated wrongdoing occurs in investment advisers.